



STATE OF DELAWARE

Information on Federal Awards in Accordance with
OMB Circular A-133

June 30, 2005

(With Independent Auditors' Report Thereon)

STATE OF DELAWARE

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

The Honorable Governor and
Honorable Members of the State Legislature
State of Delaware:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware, as of and for the year ended June 30, 2005, which collectively comprise the State of Delaware's basic financial statements, and have issued our report thereon dated January 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the discretely presented component units and the Lottery and DelDot major funds, which represent 94% of the assets and 93% of the revenues of the business-type activities. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the State's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-FIN-01, 05-FIN-02, 05-FIN-03, and 05-FIN-04.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions identified above, we consider items 05-FIN-01 and 05-FIN-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of the State in a separate letter dated January 20, 2006.

This report is intended solely for the information and use of the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget and the Department of Finance, management of the State of Delaware, the United States Department of Health and Human Services Office of the Inspector General for Audit, and other federal awarding agencies and pass-through entities, and is not intended to be and should not be used for any other purpose. However, under 29 Del. Code Section 10002(d) this report is public record and its distribution is not limited.

KPMG LLP

March 17, 2006



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and Schedule of Expenditures of Federal Awards

The Honorable Governor and
Honorable Members of the State Legislature
The State of Delaware:

Compliance

We have audited the compliance of the State of Delaware (the State) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The State's basic financial statements include the operations of Delaware State University, the Delaware State Housing Authority, the Diamond State Port Authority, and the Charter Schools, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2005. Our audit, described below, did not include the operations of Delaware State University, the Delaware State Housing Authority, the Diamond State Port Authority, and the Charter Schools because either other auditors were engaged to perform audits in accordance with OMB Circular A-133 for these entities, or because certain of the Charter Schools did not expend more than \$500,000 in federal awards.

Except as discussed in the following paragraphs, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of the State for the program compliance requirements listed below, nor were we able to satisfy ourselves as to the State's compliance with those requirements by other auditing procedures. These program compliance requirements are:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services, Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Medical Support Obligations)	05-CSE-02
Department of Transportation	20.500, 20.507	Federal Transit Cluster	Allowable Costs, Cash Management, Matching, Level of Effort and Earmarking, Reporting, Davis-Bacon Act, Procurement, Suspension and Debarment, Equipment and Real Property Management, Period of Availability	05-DOT-01
Department of Education	84.010	Title I	Reporting	05-ED-04
	84.048	Vocational Education		
	84.027, 84.173	Special Education Cluster		

As described in the accompanying schedule of findings and questioned costs, the State did not comply with certain requirements that are applicable to its Foster Care and Centers for Disease Control and Prevention, Investigations and Technology Grants programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to those programs. The program compliance requirements were:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Services for Children, Youth and their Families	93.658	Foster Care—Title IV-E	Allowable Costs (Cost Allocation Plan)	05-CYF-01

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services, Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants	Allowable Costs (Effort Reporting)	05-DPH-05
Department of Health and Social Services, Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants	Allowable Costs, Matching, Level of Effort and Earmarking, Period of Availability, Reporting	05-DPH-06
Department of Health and Social Services, Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants	Procurement, Suspension and Debarment, Equipment and Real Property Management, Davis-Bacon Act	05-DPH-08

Also, the State did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major programs. The specific instances of noncompliance are identified and described in the accompanying schedule of findings and questioned costs as follows:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services, Division of Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053	Aging Cluster	Allowable Costs (Effort Reporting)	05-AGI-01
Department of Health and Social Services, Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Paternity and Support Obligations)	05-CSE-01
Department of Natural Resources and Environmental Control	11.420	Coastal Zone Management, Estuarine Research Reserves	Davis-Bacon Act	05-DNR-01

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services, Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants and Children	Allowable Costs (Effort Reporting)	05-DPH-02
Department of Health and Social Services, Division of Public Health	93.268	Immunization Grants	Allowable Costs (Effort Reporting)	05-DPH-10
Department of Education	84.287	21st Century Community Learning Centers	Subrecipient Monitoring	05-ED-03
Department of Education, Brandywine School District	84.010,	Title I	Allowable Costs (Effort Reporting)	05-ED-06
	84.367	Improving Teacher Quality		
	84.027, 84.173	Special Education Cluster		
Department of State	64.203	State Cemetery Grants	Davis-Bacon Act	05-STA-01

In our opinion, because of the effects of the noncompliance described in the second preceding paragraph, the State did not comply, in all material respects, with the requirements referred to above that are applicable to the Foster Care and Center for Disease Control and Prevention, Investigations and Technology programs. Also, in our opinion, except for the noncompliance identified in the preceding paragraph and the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding compliance with the requirements identified in the third preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as follows:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services, Division of Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053	Aging Cluster	Subrecipient Monitoring	05-AGI-02
Department of Health and Social Services, Division of Child Support Enforcement	93.563	Child Support Enforcement	Allowable Costs	05-CSE-03
Department of Health and Social Services, Division of Child Support Enforcement	93.563	Child Support Enforcement	Matching, Level of Effort and Earmarking	05-CSE-04

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services, Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Interstate Cases)	05-CSE-05
Delaware Emergency Management Agency	16.007, 97.004, 97.042, 97.067	Homeland Security Cluster	Allowable Costs (Effort Reporting)	05-DEM-01
Delaware National Guard	12.401	National Guard Military Operations and Maintenance Projects	Period of Availability	05-DNG-01
Delaware National Guard	12.401	National Guard Military Operations and Maintenance Projects	Allowable Costs (Effort Reporting)	05-DNG-02
Department of Labor	17.225	Department of Labor, Division of Unemployment Services	Reporting	05-DOL-01
Department of Health and Social Services, Division of Public Health	93.917	HIV Formula Grant Program	Matching, Level of Effort and Earmarking (Level of Effort)	05-DPH-01
Department of Health and Social Services, Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants and Children	Special Tests and Provisions: Review for Questionable Food Instruments	05-DPH-03
Department of Health and Social Services, Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants	Allowable Costs	05-DPH-07
Department of Health and Social Services, Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants	Allowable Costs, Period of Availability	05-DPH-09
Department of Health and Social Services, Division of Public Health	93.268	Immunization Grants	Reporting	05-DPH-11

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services, Division of Social Services	93.775, 93.777, 93.778	Medical Assistance Cluster	Allowable Costs (Overpayments to Providers)	05-DSS-01
Department of Health and Social Services, Division of Social Services	93.767	State Children's Health Improvement Program	Eligibility	05-DSS-02
Department of Health and Social Services, Division of Social Services	93.767	State Children's Health Improvement Program	Eligibility	05-DSS-03
Delaware Technical and Community College, Wilmington/Stanton Campus	84.007, 84.032, 84.033, 84.038, 84.063	Student Financial Assistance Cluster	Reporting (Pell Reporting)	05-DTC-01
Delaware Technical and Community College, Wilmington/Stanton Campus	84.007, 84.032, 84.033, 84.038, 84.063	Student Financial Assistance Cluster	Special Tests and Provisions (Return of Title IV Aid)	05-DTC-02
Delaware Technical and Community College, Owens Campus	84.007, 84.032, 84.033, 84.038, 84.063	Student Financial Assistance Cluster	Special Tests and Provisions (Return of Title IV Aid)	05-DTC-03
Delaware Technical and Community College, Wilmington/Stanton Campus	84.007, 84.032, 84.033, 84.038, 84.063	Student Financial Assistance Cluster	Special Tests and Provisions (Verification)	05-DTC-04
Department of Education	10.558	Child and Adult Care Food Program	Subrecipient Monitoring	05-ED-01
Department of Education	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting	05-ED-02
Department of Education	84.048	Vocational Education	Allowable Costs	05-ED-05
	84.027, 84.173	Special Education Cluster		

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Education	84.010	Title I	Special Tests and Provisions (Comparability)	05-ED-07
Office of Management and Budget	84.010	Title I	Cash Management	05-OMB-01
	84.367	Improving Teacher Quality		
	84.048	Vocational Education		
	84.287	Twenty-First Century Community Learning Centers		
	84.027, 84.173	Special Education Cluster		
	10.558	Child and Adult Care Food Program		
	20.500, 20.507,	Federal Transit Cluster		
	20.205	Highway Planning and Construction Cluster		
	10.557	Supplemental Nutrition Program for Women, Infants and Children		
Department of Health and Social Services, Division of Substance Abuse and Mental Health	93.959	Block Grant for the Prevention and Treatment of Substance Abuse	Allowable Costs (Effort Reporting)	05-SAM-01

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions identified below, we consider the items identified below by an asterisk (*) to be material weaknesses.

Reportable conditions are described in the accompanying schedule of findings and questioned costs as items:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services, Division of Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053	Aging Cluster	Allowable Costs (Effort Reporting)	05-AGI-01 *
Department of Health and Social Services, Division of Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053	Aging Cluster	Subrecipient Monitoring	05-AGI-02
Department of Health and Social Services, Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Paternity and Support Obligations)	05-CSE-01 *
Department of Health and Social Services, Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Medical Support Obligations)	05-CSE-02 *
Department of Health and Social Services, Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Interstate Cases)	05-CSE-05
Department of Services for Children, Youth and their Families	93.658	Foster Care—Title IV-E	Allowable Costs (Cost Allocation Plan)	05-CYF-01 *

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Delaware Emergency Management Agency	16.007, 97.004, 97.042, 97.067	Homeland Security Cluster	Allowable Costs (Effort Reporting)	05-DEM-01
Department of Health and Social Services, Division of Management Services	93.767	State Children's Health Improvement Program	Eligibility	05-DMS-01
	93.775, 93.777, 93.778	Medical Assistance Cluster		
	10.551, 10.561	Food Stamp Cluster		
	93.596	Child Care Cluster		
	93.558	Temporary Assistance for Needy Families		
Delaware National Guard	12.401	National Guard Military Operations and Maintenance Projects	Period of Availability	05-DNG-01
Delaware National Guard	12.401	National Guard Military Operations and Maintenance Projects	Allowable Costs (Effort Reporting)	05-DNG-02
Department of Natural Resources and Environmental Control	11.420	Coastal Zone Management, Estuarine Research Reserves	Davis-Bacon Act	05-DNR-01 *
Department of Labor	17.225	Unemployment Insurance	Reporting	05-DOL-01
Department of Transportation	20.500, 20.507	Federal Transit Cluster	Allowable Costs, Cash Management, Matching, Level of Effort and Earmarking, Reporting, Davis-Bacon Act, Procurement, Suspension and Debarment, Equipment and Real Property Management, Period of Availability	05-DOT-01 *

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services, Division of Public Health	93.917	HIV Formula Grant Program	Matching Level of Effort and Earmarking (Level of Effort)	05-DPH-01
Department of Health and Social Services, Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants and Children	Allowable Costs (Effort Reporting)	05-DPH-02 *
Department of Health and Social Services, Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants and Children	Special Tests and Provisions: Review for Questionable Food Instruments	05-DPH-03
Department of Health and Social Services, Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants and Children	Eligibility	05-DPH-04
Department of Health and Social Services, Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants	Allowable Costs (Effort Reporting)	05-DPH-05 *
Department of Health and Social Services, Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants	Allowable Costs, Matching, Level of Effort and Earmarking, Period of Availability, Reporting	05-DPH-06 *
Department of Health and Social Services, Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants	Allowable Costs	05-DPH-07
Department of Health and Social Services, Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants	Procurement, Suspension and Debarment, Equipment and Real Property Management, Davis-Bacon Act	05-DPH-08 *

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services, Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants	Allowable Costs, Period of Availability	05-DPH-09
Department of Health and Social Services, Division of Public Health	93.268	Immunization Grants	Allowable Costs (Effort Reporting)	05-DPH-10 *
Department of Health and Social Services, Division of Public Health	93.268	Immunization Grants	Reporting	05-DPH-11
Department of Health and Social Services, Division of Social Services	93.775, 93.777, 93.778	Medical Assistance Cluster	Allowable Costs (Overpayments to Providers)	05-DSS-01
Department of Health and Social Services, Division of Social Services	93.767	State Children's Health Improvement Program	Eligibility	05-DSS-04
	93.775, 93.777, 93.778	Medical Assistance Cluster		
	93.558	Temporary Assistance for Needy Families		
Department of Health and Social Services, Division of Social Services	10.551, 10.561	Food Stamps Cluster	Special Tests and Provisions: Issuance Document Security	05-DSS-05
Department of Health and Social Services, Division of Social Services	10.551, 10.561	Food Stamps Cluster	Eligibility	05-DSS-06
Delaware Technical and Community College, Wilmington/Stanton Campus	84.007, 84.032, 84.033, 84.038, 84.063	Student Financial Assistance Cluster	Special Tests and Provisions (Return of Title IV Aid)	05-DTC-02
Delaware Technical and Community College, Owens Campus	84.007, 84.032, 84.033, 84.038, 84.063	Student Financial Assistance Cluster	Special Tests and Provisions (Return of Title IV Aid)	05-DTC-03

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Delaware Technical and Community College, All Campuses	84.007, 84.032, 84.033, 84.038, 84.063	Student Financial Assistance Cluster	Eligibility	05-DTC-05
Department of Technology and Information	93.775, 93.777, 93.778	Medical Assistance Cluster	Eligibility	05-DTI-01
	93.767	State Children's Health Insurance Program		
	93.558	Temporary Assistance for Needy Families	Eligibility	
	10.551, 10.561	Food Stamp Cluster	Eligibility	
	93.596	Child Care Cluster	Eligibility	
	93.563	Child Support Enforcement	Eligibility	
	10.557	WIC	Eligibility	
	17.225	Unemployment Insurance	Eligibility/ Allowable Costs	
	20.500, 20.507	Federal Transit Cluster	Allowable Costs	
	20.205	Highway Planning and Construction Cluster	Allowable Costs	
Department of Education	10.558	Child and Adult Care Food Program	Subrecipient Monitoring	05-ED-01
Department of Education	84.287	21st Century Community Learning Centers	Subrecipient Monitoring	05-ED-03 *

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Education	84.010	Title I	Reporting	05-ED-04
	84.048	Vocational Education		
	84.027, 84.173	Special Education Cluster		
Department of Education	84.048	Vocational Education	Allowable Costs	05-ED-05
	84.027, 84.173	Special Education Cluster		
Department of Education, Brandywine School District	84.010	Title I	Allowable Costs (Effort Reporting)	05-ED-06 *
	84.367	Improving Teacher Quality		
	84.027, 84.173	Special Education Cluster		
Department of Education	84.010	Title I	Special Tests and Provisions (Comparability)	05-ED-07

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Office of Management and Budget	84.010	Title I	Cash Management	05-OMB-01
	84.367	Improving Teacher Quality		
	84.048	Vocational Education		
	84.287	21st Century Community Learning Centers		
	84.027, 84.173	Special Education Cluster		
	10.558	Child and Adult Care Food Program		
	20.500, 20.507,	Federal Transit Cluster		
	20.205	Highway Planning and Construction Cluster		
	10.557	Supplemental Nutrition Program for Women, Infants and Children		
Department of Health and Social Services, Division of Substance Abuse and Mental Health	93.959	Block Grant for the Prevention and Treatment of Substance Abuse	Allowable Costs (Effort Reporting)	05-SAM-01
Department of State	64.203	State Cemetery Grants	Davis-Bacon Act	05-STA-01 *

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2005, and have issued our report thereon dated January 4, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. We did not audit the financial statements of the discretely presented component units and the Lottery and DelDot major funds, which represent 94% of the assets and 93% of the revenues of the business-type activities. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget and the Department of Finance, management of the State of Delaware, the United States Department of Health and Human Services Office of the Inspector General for Audit, and other federal awarding agencies and pass-through entities, and is not intended to be and should not be used for any other purpose. However, under 29 Del. Code Section 10002(d), this report is public record and its distribution is not limited.

KPMG LLP

March 17, 2006

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$	256,967
Conservation Reserve Program	10.069		37,279
Market Protection and Promotion	10.163		9,987
Sustainable Agriculture Research and Education	10.215		-
<i>Pass-through from University of Vermont</i>		N501301	2,567
Crop Insurance	10.450		209,115
<i>Pass-through from Pennsylvania Department of Agriculture</i>		N3072302	9,594
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		423,708
Food Donation	10.550		2,591,440
Food Stamp Cluster			
Food Stamps	10.551		62,995,015
State Administrative Matching Grants for Food Stamp Program	10.561		7,537,588
Total Food Stamp Cluster			70,532,603
Child Nutrition Cluster			
School Breakfast Program	10.553		4,194,882
National School Lunch Program	10.555		14,985,193
Special Milk Program for Children	10.556		25,722
Summer Food Service Program for Children	10.559		1,336,691
Total Child Nutrition Cluster			20,542,488
Special Supplemental Nutrition Program for Women, Infants & Children	10.557		15,660,248
Child and Adult Care Food Program	10.558		9,471,350
State Administrative Expenses for Child Nutrition	10.560		596,110
Emergency Food Assistance Cluster			
Emergency Food Assistance Program (Administrative Costs)	10.568		120,520
Emergency Food Assistance Program (Food Commodities)	10.569		736,670
Total Emergency Food Assistance Cluster			857,190
Forestry Research	10.652		128
Cooperative Forestry Assistance	10.664		640,809
Rural Development, Forestry, and Communities	10.672		10,065
Forest Legacy Program	10.676		1,975,000
Forest Land Enhancement Program	10.677		27,586
Community Facilities Loans and Grants	10.766		4,096
Rural Business Enterprise Grants	10.769		23,822
Soil and Water Conservation	10.902		(100)

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- though Entity Other Identifying No.	Expenditures
U.S. Department of Agriculture (continued)			
Farm and Ranch Lands Protection Program	10.913		\$ 2,303,315
Wildlife Habitat Incentive Program	10.914		56,671
Total U.S. Department of Agriculture			\$ 126,242,038
U.S. Department of Commerce			
Coastal Zone Management Administration Awards	11.419		\$ 1,758,320
Coastal Zone Management Estuarine Research Reserves	11.420		3,463,851
Marine Mammal Data Program	11.439		50,429
Unallied Science Program	11.472		32,386
Atlantic Coastal Fisheries Cooperative Management Act	11.474		136,725
Educational Partnership Program	11.481		-
<i>Pass-though from Florida A&M University</i>		N3061901	13,794
Total U.S. Department of Commerce			\$ 5,455,505
U.S. Department of Defense			
Delaware Coast Portection Project	12.000		\$ 145,337
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		15,438
National Guard-Military Construction Projects	12.400		3,307
National Guard Military Operations and Maintenance (O&M) Projects	12.401		6,030,168
Total U.S. Department of Defense			\$ 6,194,250
U.S. Department of Housing and Urban Development			
Supportive Housing Program	14.235		\$ 1,577,070
Fair Housing Assistance Program - State and Local	14.401		125,336
Fair Housing Initiatives Program (FHIP) Education and Outreach	14.409		37,356
Lead-Based Paint Hazard Control In Privately-Owned Housing	14.900		154,337
Total U.S. Department of Housing and Urban Development			\$ 1,894,099
U.S. Department of the Interior			
Save Americas Treasures Program	15.AAI		\$ 116,019
Flora and Fauna Inventory and Jr. Duck Stamp Program	15.50181-3-J064, and 60181-4-G003		26,871

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
Fish and Wildlife Cluster			
Sport Fish Restoration	15.605		\$ 2,934,896
Wildlife Restoration	15.611		1,336,938
Total Fish and Wildlife Cluster			4,271,834
Cooperative Endangered Species Conservation Fund	15.615		55,291
Sportfishing and Boating Safety Act	15.622		80,250
Wildlife Conservation and Restoration	15.625		101,049
Landowner Incentive	15.633		62,850
State Wildlife Grants	15.634		387,526
Historic Preservation Fund Grants-In-Aid	15.904		478,409
Outdoor Recreation, Acquisition, Development and Planning	15.916		853,842
Total U.S. Department of the Interior			\$ 6,433,941
U.S. Department of Justice			
USAG Justice	16.000		\$ 88,779
Offender Reentry Program	16.202		327,949
Juvenile Accountability Incentive Block Grants	16.523		834,435
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540		570,814
Victims of Child Abuse	16.547		-
<i>Pass-through from National CASA Association</i>		N3051305	22,197
Title V - Delinquency Prevention Program	16.548		131,810
Part E - State Challenge Activities	16.549		59,132
State Justice Statistics Program for Statistical Analysis Centers	16.550		45,405
National Criminal History Improvement Program (NCHIP)	16.554		202,623
Crime Laboratory Improvement Combined Offender DNA Index System			
Backlog Reduction	16.564		90,231
Crime Victim Assistance	16.575		1,783,094
Crime Victim Compensation	16.576		434,382
Byrne Formula Grant Program	16.579		2,078,182
Edward Byrne Memorial State and Local Law Enforcement Assistance			
Discretionary Grants Program	16.580		1,413,039
<i>Pass-through from National Governor's Association Center for</i>			
<i>Best Practices</i>	16.580	N3081901	19,672
Drug Court Discretionary Grant Program	16.585		(328)
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586		19,059
Violence Against Women Formula Grants	16.588		790,194
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589		6,001
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590		74,389
Local Law Enforcement Block Grants Program	16.592		339,908
Residential Substance Abuse Treatment for State Prisoners	16.593		285,743
Executive Office for Weed and Seed	16.595		476,887

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Justice (continued)			
State Criminal Alien Assistance Program	16.606	\$	161,470
Bulletproof Vest Partnership Program	16.607		138,013
Community Prosecution and Project Safe Neighborhoods	16.609		533,113
Public Safety Partnership and Community Policing Grants	16.710		925,360
Enforcing Underage Drinking Laws Program	16.727		401,799
Total U.S. Department of Justice		\$	12,253,352
U.S. Department of Labor			
Labor Force Statistics	17.002	\$	557,594
Compensation and Working Conditions	17.005		52,381
Labor Certification for Alien Workers	17.203		178,738
Employment Services Cluster			
Employment Service	17.207		2,852,317
Disabled Veterans' Outreach Program (DVOP)	17.801		323,688
Local Veterans' Employment Representative Program	17.804		274,213
Total Employment Services Cluster			3,450,218
Unemployment Insurance	17.225		109,985,533
Senior Community Service Employment Program	17.235		1,841,801
Trade Adjustment Assistance Workers	17.245		1,094,624
Employment and Training Evaluation Projects	17.248		95
Employment Services & Job Training - Pilot & Demonstration Programs	17.249		1,490
WIA Cluster			
WIA Adult Program	17.258		4,863,859
WIA Dislocated Workers	17.260		2,064,088
Total WIA Cluster			6,927,947
Welfare-to-Work Grants to States and Localities	17.253		345,682
Employment and Training Administration Evaluations	17.262		194,050
Work Incentives Grant	17.266		191,498
Consultation Agreements	17.504		457,880
OSHA Data Initiative	17.505		7,579
Employment Programs for People with Disabilities	17.720		233,439
Total U.S. Department of Labor		\$	125,520,549

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Transportation			
Department of Transportation Programs	20.000		\$ 2,099,854
<i>Pass-through from Virginia Tech to Delaware Technical Community College</i>		N5030401	37,500
Boating Safety Financial Assistance			
Boating Safety Financial Assistance	20.005		156,787
Total Boating Safety Financial Cluster			156,787
National Motor Carrier Safety	20.218		439,612
Recreational Trails Program	20.219		325,520
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205		101,651,923
Total Highway Planning and Construction Cluster			101,651,923
Federal Transit Cluster			
Federal Transit-Capital Investment Grants	20.500		4,279,715
Federal Transit-Formula Grants	20.507		8,671,147
Total Federal Transit Cluster			12,950,862
Federal Transit-Metropolitan Planning Grants	20.505		516,249
Formula Grants for Other Than Urbanized Areas	20.509		1,156,556
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		352,200
Job Access Reverse Commute	20.516		1,163,145
Highway Safety Cluster			
State and Community Highway Safety	20.600		708,651
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		342,070
Occupant Protection	20.602		232,788
Federal Highway Safety Data Improvements Incentive Grants	20.603		311,465
Safety Incentive Grants for Use of Seatbelts	20.604		489,452
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605		238,501
Total Highway Safety Cluster			2,322,927
Pipeline Safety	20.700		70,197
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		7,429
Total U.S. Department of Transportation			\$ 123,250,761

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Treasury			
Tax Relief Reconciliation Act	21.000		\$ 50,321,300
Treasury Programs	21.USAG Treasury		9,441
Total U.S. Department of Treasury			\$ 50,330,741
Equal Employment Opportunity Commission			
Employment Discrimination - Title VII of the Civil Rights Act of 1964	30.001		\$ 372,355
Employment Discrimination - State and Local Fair Employment Practices	30.002		1,373
Total Equal Employment Opportunity Commission			\$ 373,728
General Services Administration			
Election Reform Payments	39.011		\$ 1,074,629
Total General Services Administration			\$ 1,074,629
National Foundation on Arts and the Humanities			
Promotion of the Arts - Partnership Agreements	45.025		\$ 585,142
Promotion of the Arts - Leadership Initiatives	45.026		2,000
Promotion of the Humanities Federal/State Partnership	45.129		-
<i>Pass-through from National Foundation on Artist Humanities to Delaware</i>			
<i>Humanities Forum</i>		N3121803	1,108
State Library Program	45.310		677,872
Total National Foundation on Arts and the Humanities			\$ 1,266,122
National Science Foundation			
Education and Human Resources	47.076		\$ 124,320
<i>Pass-through from National Science Foundation</i>		N1021606	599
<i>Pass-through from National Science Foundation</i>		N1021699	1,563
<i>Pass-through from National Science Foundation</i>		N0092599	3,245
Total National Science Foundation			\$ 129,727

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Veterans Administration			
Burial Expenses Allowance for Veterans	64.101	\$	83,873
State Cemetery Grants	64.203		3,275,520
Total U.S. Department of Veterans Administration		\$	3,359,393
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001	\$	1,174,512
State Indoor Radon Grants	66.032		84,961
Surveys, Studies, Investigations, Demonstrations, and Special Purpose			
Activities Relating to the Clean Air Act	66.034		66,173
Water Pollution Control State and Interstate Program Support	66.419		1,501,786
State Public Water System Supervision	66.432		766,684
State Underground Water Source Protection	66.433		53,558
Surveys, Studies, Investigations, Demonstrations, and Training Grants Relating			
to Section 1442 of the Clean Water Act	66.436		12,954
Water Quality Management Planning	66.454		88,531
National Estuary Program	66.456		-
<i>Pass-through from Delaware Center for the Inland Bays</i>		N3111202	3,363
<i>Pass-through from Delaware Center for the Inland Bays</i>		N3102902	3,000
Capitalization Grants for Clean Water State Revolving Funds	66.458		6,901,199
Nonpoint Source Implementation Grants	66.460		1,586,037
Wetland Program Grants	66.461		54,402
Water Quality Cooperative Agreements	66.463		100
Chesapeake Bay Program	66.466		309,540
Wastewater Operator Training Grant Program (Technical Assistance)	66.467		35,642
Capitalization Grants for Drinking Water State Revolving Funds	66.468		5,849,101
State Grants to Reimburse Operators of Small Water Systems for Training and			
Certification Costs	66.471		172,163
Beach Monitoring and Notification Program Implementation Grants	66.472		203,266
Water Protection Grants to the States	66.474		96,543
Environmental Protection Consolidated Research	66.500		149,995
Office of Research and Development Consolidated Research	66.511		1,030
Regional Environmental Monitoring and Assessment Program			
(REMAP) Research	66.512		50,864
Performance Partnership Grants	66.605		366,334
Surveys, Studies, Investigations and Special Purpose Grants	66.606		249,004
Environmental Information Exchange Network Grant Program	66.608		478,068
TSCA Title IV State Lead Grants Certification of Lead Based			
Paint Professionals	66.707		155,092
Pollution Prevention Grants Program	66.708		59,166
Hazardous Waste Management State Program Support	66.801		733,878
Superfund State, Political Subdivision, and Indian Tribe Site Specific			
Cooperative Agreements	66.802		205,096

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Environmental Protection Agency (continued)			
State and Tribal Underground Storage Tanks Program	66.804	\$	188,359
Leaking Underground Storage Tank Trust Fund Program	66.805		502,036
Brownfield Pilots Cooperative Agreements	66.811		119,679
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809		576,367
State and Tribal Response Program Grants	66.817		628,622
Total U.S. Environmental Protection Agency		\$	23,427,105
U.S. Department of Energy			
State Energy Program	81.041	\$	297,592
Weatherization Assistance for Low-Income Persons	81.042		621,689
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117		68,091
State Energy Program Special Projects	81.119		40,831
Total U.S. Department of Energy		\$	1,028,203
Federal Emergency Management Agency			
FEMA Programs	83.000	\$	20,000
National Fire Academy Training Assistance	83.009		4,316
Hazardous Materials Assistance Program	83.012		5,600
Flood Mitigation Assistance	83.536		803,140
Hazard Mitigation Grant	83.548		144,524
National Dam Safety Program	83.550		6,400
Pre-Disaster Mitigation	83.557		128,851
State and Local All Hazards Emergency Operations Planning	83.562		44,106
Emergency Operations Centers	83.563		91,611
Citizen Corps	83.564		193,285
Total Federal Emergency Management Agency		\$	1,441,833
U.S. Department of Education			
Adult Education - State Grant Program	84.002	\$	1,500,571
Title I Grants to Local Educational Agencies	84.010		31,955,591
Migrant Education - State Grant Program	84.011		337,727
Title I Program for Neglected and Delinquent Children	84.013		233,447

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	\$	27,864,862
Special Education - Preschool Grants (IDEA Preschool)	84.173		1,271,982
Total Special Education Cluster			29,136,844
Impact Aid	84.041		133,656
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		308,484
Federal Work Study Program	84.033		262,480
Federal Pell Grant Program	84.063		7,010,704
Total Student Financial Assistance Cluster			7,581,668
TRIO Cluster			
TRIO - Student Support Services	84.042		529,178
TRIO - Talent Search	84.044		592,543
TRIO - Upward Bound	84.047		1,561,097
Total TRIO Cluster			2,682,818
Vocational Education - Basic Grants to States	84.048		5,044,557
Leveraging Educational Assistance Partnership	84.069		218,483
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		9,130,745
Independent Living - State Grants	84.169		357,713
Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	84.177		256,421
Special Education - Grants for Infants and Families with Disabilities	84.181		2,194,369
Safe and Drug-Free Schools and Communities - National Programs	84.184		256,193
Byrd Honors Scholarships	84.185		100,500
Safe and Drug-Free Schools and Communities - State Grants	84.186		2,325,803
Supported Employment Services for Individuals with Severe Disabilities	84.187		220,647
Education for Homeless Children and Youth	84.196		127,639
Even Start - State Educational Agencies	84.213		1,057,973
Fund for the Improvement of Education	84.215		338,490
Assistive Technology	84.224		890,086
Rehabilitation Services Demonstration and Training Programs	84.235		1,044,279
Tech-Prep Education	84.243		526,129
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265		30,333
Eisenhower Professional Development State Grants	84.281		50,000
Charter Schools	84.282		343,911
Twenty-First Century Community Learning Centers	84.287		3,584,773
Foreign Language Assistance	84.293		1,000

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Education (continued)			
State Grants for Innovative Programs	84.298	\$	1,744,368
Education Technology State Grants	84.318		3,627,317
Special Education State Program Improvement Grants for Children with Disabilities	84.323		829,863
Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		123,401
Advanced Placement Program	84.330		121,031
Grants to States for Incarcerated Youth Offenders	84.331		95,351
Comprehensive School Reform Demonstration	84.332		631,941
Community Technology Centers	84.341		178,772
TRIO Dissemination Partnership Grants	84.344		222,274
Vocational Education Occupational and Employment Information State Grants	84.346		100,862
Reading First State Grants	84.357		2,442,400
Rural Education	84.358		305,505
English Language Acquisition Grants	84.365		738,150
Mathematics and Science Partnerships	84.366		474,257
Improving Teacher Quality State Grants	84.367		14,958,013
Grants for State Assessments and Related Activities	84.369		2,460,193
Total U.S. Department of Education		\$	130,716,064
U.S. Department of Health and Human Services			
Delaware Coalition Community	93.280-99-0200	\$	21,006
Public Health and Social Services Emergency Fund	93.003		1,559,895
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006		365,295
Medical Reserve Corps Small Grant Program	93.008		696
Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		21,048
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042		76,923
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043		126,218
Aging Cluster			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044		2,125,155
Special Programs for the Aging-Title III, Part C, Nutrition Services	93.045		2,143,481
Nutrition Services Incentive Program	93.053		410,862
Total Aging Cluster			4,679,498

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Health and Human Services (continued)			
Special Programs for the Aging-Title IV and Title II Discretionary Projects	93.048	\$	129,096
Alzheimer's Disease Demonstration Grants to States	93.051		55,570
National Family Caregiver Support	93.052		645,888
Food and Drug Administration Research	93.103		3,453
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		1,385,982
Maternal and Child Health Federal Consolidated Programs	93.110		268,054
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		327,019
Emergency Medical Services for Children	93.127		159,202
Primary Care Services, Resource Coordination and Development	93.130		249,485
Injury Prevention and Control Research and State and Community Based Programs	93.136		138,817
Projects for Assistance in Transition from Homelessness (PATH)	93.150		294,213
Grants for State Loan Repayment	93.165		18,986
Allied Health Special Projects	93.191		37,046
Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		158,705
Family Planning Services	93.217		1,205,207
Consolidated Knowledge Development and Application (KD&A) Program	93.230		144,451
Abstinence Education	93.235		91,023
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238		58,008
Substance Abuse and Mental Health Services Projects of Regional	93.243		4,951
Universal Newborn Hearing Screening	93.251		80,281
Healthy Community Access Program	93.252		88,915
State Planning Grant Health Care Access for the Uninsured	93.256		277,449
Rural Access to Emergency Devices Grant	93.259		114,447
Immunization Grants	93.268		5,810,981
Drug Abuse Research Programs	93.279		-
<i>Pass-through from Treatment Research Institute</i>		N9123001	12,338
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		10,926,153
Research Infrastructure	93.389		-
<i>Pass-through from University of Delaware</i>		N5030705	132,251
<i>Pass-through from University of Delaware</i>		N4012901	
<i>Pass-through from University of Delaware</i>		N4012902	
Promoting Safe and Stable Families	93.556		786,003
Temporary Assistance for Needy Families	93.558		32,349,856
Child Support Enforcement	93.563		15,000,008
Child Support Enforcement Research	93.564		5,561
Refugee and Entrant Assistance-State Administered Programs	93.566		77,066
Low-Income Home Energy Assistance	93.568		5,641,142
Community Services Block Grant	93.569		3,146,795

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Health and Human Services (continued)			
Community Services Block Grant Discretionary Awards Community Food and Nutrition	93.571	\$	15,000
Empowerment Zones Program	93.585		44,376
State Court Improvement Program	93.586		38,226
Child Care Cluster			
Child Care Mandatory & Matching Funds of the Child Care and Development Fund	93.596		15,956,036
Total Child Care Cluster			15,956,036
Grants to States for Access and Visitation Programs	93.597		89,036
Chafee Education and Training Vouchers Program (ETV)	93.599		91,327
Head Start	93.600		162,856
Adoption Incentive Payments	93.603		12,302
Voting Access for Individuals with Disabilities	93.617		3,392
Developmental Disabilities Basic Support and Advocacy Grants	93.630		563,833
Developmental Disabilities Projects of National Significance	93.631		5,687
Children's Justice Grants to States	93.643		101,308
Child Welfare Services - State Grants	93.645		784,958
Foster Care - Title IV-E	93.658		5,833,588
Adoption Assistance	93.659		1,750,475
Social Services Block Grant	93.667		3,683,959
Child Abuse and Neglect State Grants	93.669		101,449
Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	93.671		720,110
Chafee Foster Care Independent Living	93.674		512,189
State Children's Insurance Program	93.767		6,124,372
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768		195,815
Medicaid Cluster			
State Medicaid Fraud Control Units	93.775		947,508
State Survey and Certification of Health Care Providers and Suppliers	93.777		1,028,121
Medical Assistance Program	93.778		466,192,100
Total Medicaid Cluster			468,167,729
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		869,118
State Pharmaceutical Assistance Programs	93.786		88,013
Pharmacology, Physiology, and Biological Chemistry Research	93.859		-
<i>Pass-through from University of Delaware</i>		N4093003	55,590

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Health and Human Services (continued)			
Grants to States for Operation of Offices of Rural Health	93.913		\$ 109,998
HIV Care Formula Grants	93.917		4,142,715
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		276,669
HIV Prevention Activities-Health Department Based	93.940		1,793,861
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		354,411
Improving EMS/Trauma Care in Rural Areas	93.952		42,426
Block Grants for Community Mental Health Services <i>Pass-through from Advocacy for Human Potential, Inc.</i>	93.958	N4070709	1,181,011 9,999
Block Grants for Prevention and Treatment of Substance Abuse	93.959		6,570,939
Special Minority Initiatives <i>Pass-through from University of Delaware</i>	93.960	N3091101	- 18,536
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977		481,256
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988		433,070
Preventive Health and Health Services Block Grant	93.991		289,228
Maternal and Child Health Services Block Grant to the States	93.994		2,044,601
Total U.S. Department of Health and Human Services			\$ 610,394,445
Corporation for National and Community Service			
Retired and Senior Volunteer Program	94.002		\$ 186,157
State Commissions	94.003		115,362
Learn and Serve America - School and Community Based Programs	94.004		50,681
AmeriCorps	94.006		597,012
Training and Technical Assistance	94.009		44,064
Foster Grandparent/Senior Companion Cluster			
Foster Grandparent Program	94.011		532,416
Total Foster Grandparent/Senior Companion Cluster			532,416
Total Corporation for National and Community Service			\$ 1,525,692
Social Security Administration			
Disability Insurance/SSI Cluster	96.001		\$ 5,473,344
Total Social Security Administration			\$ 5,473,344

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department Homeland Security			
Homeland Security Cluster			
State Domestic Preparedness Equipment Support Program (FFYE 2003)	16.007		\$ 12,048,008
State Domestic Preparedness Equipment Support Program (FFYE 2004)	97.004		3,556,429
Emergency Management Performance Grants (FFYE 2003)	97.042		1,006,197
Homeland Security Grant Program (FFYE 2005)	97.067		<u>828,019</u>
Total Homeland Security Cluster			<u>17,438,653</u>
Boating Safety Financial Assistance	97.012		366,039
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		87,353
Flood Mitigation Assistance	97.029		12,000
Public Assistance Grants	97.036		662,011
Hazard Mitigation Grant	97.039		107,193
State Fire Training Systems Grants	97.043		1,248
Cooperating Technical Partners	97.045		75,976
Map Modernization Management Support	97.070		<u>100</u>
Total U.S. Department Homeland Security			\$ <u>18,750,573</u>
Total Expenditures of Federal Awards			\$ <u>1,256,536,094</u>

**Schedule of Findings
And Questioned Costs**

STATE OF DELAWARE

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(a) General

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal financial assistance programs of the State of Delaware (the State), except for those programs administered by the Delaware State University, the Diamond State Port Authority, the Delaware State Housing Authority, and the Charter Schools. The State's reporting entity is defined in note 1 to the State's basic financial statements.

(b) Basis of Accounting

The accompanying SEFA is presented using the cash basis of accounting, except for the inclusion of noncash items as required by OMB Circular A-133 as described in note (f) below. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the State's basic financial statements.

(c) Family Federal Education Loan Program

During the fiscal year ended June 30, 2005, Delaware Technical and Community College processed \$4,436,367 of new loans under the Federal Family Education Loan Program (CFDA 84.032). This amount is not included on the SEFA.

(d) Perkins Loan Program

Delaware Technical and Community College administers a federal Perkins student loan program (CFDA 84.038) that has a balance of \$58,493 outstanding at June 30, 2005 for which the federal government imposes continuing compliance requirements. This amount is not included on the SEFA. No new loans were issued during fiscal year 2005.

(e) Unemployment Insurance Funds

State unemployment tax revenues and the government and nonprofit contributions in lieu of State taxes (State UI funds) must be deposited into the Unemployment Trust Fund in the U.S. Treasury. Use of these funds is restricted to pay benefits under the federally approved State Unemployment Law. State UI funds as well as federal funds are reported in the SEFA under CFDA #17.225. The State funds included in the SEFA at June 30, 2005 are \$100,418,000.

(f) Noncash Assistance

The State is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. Noncash amounts received by the State are included in the SEFA as follows:

CFDA Number	Program Name	Amount
10.550	Food Donation (Commodities)	\$ 2,745,133
10.569	Emergency Food Assistance Program (Commodities)	1,014,676
93.268	Immunization Grants (Vaccines)	4,283,591
10.551	Food Stamps (EBT Payments)	54,943,169

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2005

(1) Summary of Auditors' Results

Financial Statements

- (a) The type of report issued on the basic financial statements: Unqualified opinion.
- (b) Material weaknesses identified in the internal control over financial reporting: Yes.
- (c) Reportable conditions: Yes.
- (d) Noncompliance which is material to the basic financial statements: No.

Federal Awards

- (e) Material weaknesses identified in the internal control over major programs: Yes.

Major programs with material weaknesses:

10.557	Supplemental Nutrition Program for Women, Infants and Children
11.420	Coastal Zone Management, Estuarine Research Reserves
20.500, 20.507	Federal Transit Cluster
64.203	State Cemetery Grants
84.010	Title I
84.287	21st Century Community Learning Centers
84.367	Improving Teacher Quality
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants
93.563	Child Support Enforcement
93.658	Foster Care—Title IV-E
84.027, 84.173	Special Education Cluster
93.044, 93.045, 93.053	Aging Cluster

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2005

- (f) Reportable conditions identified in the internal control over major programs: Yes

Major programs with reportable conditions:

10.551, 10.561	Food Stamp Cluster
10.557	Supplemental Nutrition Program for Women, Infants and Children
10.558	Child and Adult Care Food Program
11.420	Coastal Zone Management, Estuarine Research Reserves
12.401	National Guard Military Operations and Maintenance Projects
16.007, 97.004, 97.042, 97.067	State Homeland Security Cluster
17.225	Unemployment Insurance
20.205	Highway Planning and Construction Cluster
20.500, 20.507	Federal Transit Cluster
84.007, 84.033, 84.063, 84.032, 84.038	Student Financial Assistance Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.048	Vocational Education Basic Grants to States
84.287	Twenty-First Century Community Learning Centers
84.367	Improving Teacher Quality

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2005

93.044, 93.045, 93.053	Aging Cluster
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention, Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.596	Child Care Cluster
93.658	Foster Care—Title IV-E
93.767	State Children's Insurance Program
93.775, 93.777, 93.778	Medical Assistance Cluster
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse

(g) The type of report issued on compliance for major programs:

Adverse

93.658	Foster Care—Title IV-E
93.283	Centers for Disease Control and Prevention, Investigations and Technology Grants

Qualified

10.557	Supplemental Nutrition Program for Women, Infants and Children
11.420	Coastal Zone Management, Estuarine Research Reserves
20.500, 20.507	Federal Transit Cluster
84.010	Title I

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2005

84.010	Title I
84.048	Vocational Education
84.287	21st Century Community Learning Centers
84.367	Improving Teacher Quality
93.563	Child Support Enforcement
84.027, 84.173	Special Education Cluster
93.044, 93.045, 93.053	Aging Cluster
64.203	State Cemetery Grants
93.268	Immunization Grants

Unqualified

10.551, 10.561	Food Stamp Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.558	Child and Adult Care Food Program
10.913	Farm and Ranch Lands Protection Program
12.401	National Guard Military Operations and Maintenance Projects
16.007, 97.004, 97.042, 97.067	State Homeland Security Cluster
17.225	Unemployment Insurance
20.205	Highway Planning and Construction Cluster
21.000	Tax Relief Reconciliation Act

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2005

84.007, 84.033, 84.063, 84.032, 84.038	Student Financial Assistance Cluster
84.126	Vocational Rehabilitation Services
84.318	Technology Literacy Challenge Grant
93.558	Temporary Assistance for Needy Families
93.596	Child Care Cluster
93.767	State Children's Insurance Program
93.775, 93.777, 93.778	Medical Assistance Cluster
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Disability Insurance/SSI

(h) Any audit findings disclosed that are required to be reported under Section 510(a) of OMB Circular A-133: Yes

(i) Identification of Major Programs:

CFDA Number	Federal Award Number	Program Name
10.551, 10.561	2004IS251441 2004IS251941/2041 2005IS251441 2005IS251941/2041/IE251841	Food Stamp Cluster
10.553, 10.555, 10.556, 10.559	2DE300301 1DE300301	Child Nutrition Cluster
10.557	2004IW100341/641 2005IW00341-641 2006IW100341/100641	Supplemental Nutrition Program for Women, Infants and Children

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2005

CFDA Number	Federal Award Number	Program Name
10.558	1DE300301	Child and Adult Care Food Program
10.913	73.21J2.3.9 7321J249 73-21-J2-5-18	Farm and Ranch Lands Protection Program
11.420	NA03NOS4200133 NA03NOS4200173 NA04NOS4200072 NA04NOS4200101 NA04NOS4200102 NA05NOS4201098 NA05NOS4201136	Coastal Zone Management, Estuarine Research Reserves
12.401	1002 1002 1023 1023 99180617 1021,1022,1024,1029 08-91H0003 1001, 1003, 1005, 1040 1001/1003/1005/1040 1021/1022/1024/1029 DADA07-00-2-1021;1022;1024 DADA07-00-2-1023 DAHA 07-00-1023 DAHA 07-00-2-1021 DAHA 07-00-2-1023 DAHA 07-00-H-0001 DAHA 07-00-H-0002 DAHA 07-00-H-1021 DAHA 07-01-2-1001 DAHA 07-01-2-1002 DAHA 07-95-2-1021 DAHA 07-99-H-0001 DAHA 07-99-H-0001 DAHA 07-99-H-1021 DAHA 07-99-H-1023 HB1, HK1, HJ1, IA1,IA3, FK1,FK2 HG2, HG3, HG4	National Guard Military Operations and Maintenance Projects

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2005

CFDA Number	Federal Award Number	Program Name
12.401 (continued)	NGB 07-94-H-0001 NGB 07-94-H-0002 NGB 07-94-H-0004 NGB 07-95-H-0001 NGB 07-95-H-0002 NGB 07-96-H-0001 NGB 07-96-H-0002 NGB 07-96-H-0004 NGB 07-97-H-0001 NGB 07-97-H-0002 NGB 07-97-H-0003 NGB 07-97-H-0004 NGB 07-98-H-0001 NGB 07-98-H-0002 NGB 07-98-H-0003 NGB 07-98-H-0004 NGB-07-92-H-0001 NGB-07-93-H-0001,-0005 W912L5-00-2-1021/1022/1024 W912L5-00-2-1023 W912L5-1001/1003/1005/0040	
16.007, 97.004, 97.042, 97.067	2003-MU-T3-0039 2003-TE-TX-0157 2003-TE-TX-0157 2004-GE-T4-0021 2004-GE-T4-0021 2004-GE-T4-0021 2004-GE-T4-0021 2004-GE-T4-0021 2005-GE-T5-0011 2005-GE-T5-0011	State Homeland Security Cluster
17.225	UI-12630-03-55 UI-13539-04-55 UI-14426-05-55 UI-15113-06-55	Unemployment Insurance
20.205	VARIOUS	Highway Planning and Construction Cluster

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2005

CFDA Number	Federal Award Number	Program Name
20.500, 20.507	DE 03 0016	Federal Transit Cluster
	DE 03 0020	
	DE 03 0022	
	DE 90 0021	
	DE 90 0022	
	DE 90 0024	
	DE 90 0025	
	DE 90 0026	
21.000	N/A	Tax Relief Reconciliation Act
64.203	DE 01 12	State Cemetery Grants
84.007, 84.033, 84.063, 84.032, 84.038	P007A040811	Student Financial Assistance Cluster
	P007A040812	
	P007A040814	
	P007A040815	
	P007A050811	
	P007A050812	
	P007A050814	
	P007A050815	
	P033A010811	
	P033A040811	
	P033A040812	
	P033A040814	
	P033A040815	
	P033A050811	
	P033A050812	
	P033A050814	
	P033A050815	
	P033A990811	
	P063P041233	
	P063P042885	
	P063P043468	
	P063P043817	
	P063P051233	
	P063P052885	
	P063P053468	
	P063P053817	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2005

CFDA Number	Federal Award Number	Program Name
84.010	S010A030008 S010A040008 S010A050008	Title I Grants to Local Educational Agencies
84.027, 84.173	H027A010022 H027A020022 H027A030022 H027A040022 H027A050022 H173A020005 H173A030025 H173A040025 H173A050025	Special Education Cluster
84.048	V048A030008 V048A040008 V048A050008	Vocational Education Basic Grants to States
84.126	H126A040010 H126A060009	Vocational Rehabilitation Services
84.287	S287C030052 S287C040052 S287C050052	21st Century Community Learning Centers
84.318	S318X000008 S318X020008 S318X030008 S318X040008 S318X050008	Technology Literacy Challenge Grant
84.367	S367A020007 S367A030007 S367A040007 S367A050007 S367B040008 S367B050008	Improving Teacher Quality

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2005

CFDA Number	Federal Award Number	Program Name
93.044, 93.045, 93.053	05AADENSIP 02-02-AA-DE-1320 02-03-AA-DE-1712/1713 2-04AADE1320 2-04AADE1712 2-04AADENSIP 2-05AADET3SP 2-05AADET3SP	Aging Cluster
93.268	H23/CCH322567-02 H23/CCH322567-03	Immunization Grants
93.283	E11/CCE320081-03 U50/CCU319689-04 U50/CCU319689-05 U55/CCU321881-02 U55/CCU321881-03 U55/CCU321881-04 U58/CCU322784-02 U58/CCU322784-03 U90/CCU316980-04 U90/CCU316980-05 U90/CCU316980-06 UR3/CCU320034-04	Centers for Disease Control and Prevention, Investigations and Technical Assistance
93.558	G-0301DETANF G-0401DETANF G-0501DETANF	Temporary Assistance for Needy Families
93.563	0404DE4004 0504DE4004 G-0204DE4004	Child Support Enforcement
93.658	0101DE1401 0401DE1401 0501DE1401 0601DE1401 9801DE1401/1404	Foster Care—Title IV-E

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2005

CFDA Number	Federal Award Number	Program Name
93.596	G-0201DECCDF G-0301DECCDF G-0401DECCDF G-0501DECCDF	Child Care Cluster
93.767	05-0205DE5021 05-0305DE5021 05-0405DE5021 5-0105DE5021	State Children's Insurance Program
93.775, 93.777, 93.778	040501DE5050 05-0305-DE-5001 05-0405-DE-5000 05-0405DE5028/5048 05-0505-DE-5000 05-0505-DE-5001 05-0505-DE-5002 05-0505DE5028/5048	Medical Assistance Cluster
93.917	2 X07HA00081-14-00 2X07HA00081-15-00 5 X07 HA 00081-13	HIV Care Formula Grants
93.959	04B1DESAPT 05B1DESAPT-01	Block Grants for Prevention and Treatment of Substance Abuse
96.001	04-04 04DEDI00 04-05 04DEDI00	Disability Insurance/SSI

- (j) Dollar threshold used to distinguish between Type A and Type B programs: \$3,755,794
- (k) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: No

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2005

Department of Finance

Reference Number: 05-FIN-01

Type of Finding: Internal Control Over Financial Reporting

Comprehensive Annual Financial Report (CAFR) Preparation

There has been a lack of segregation of duties over the preparation of the CAFR in prior years. For 2005, the State had more active involvement by Finance staff and additional consultant assistance in preparing certain parts of the CAFR. As a result of the additional training time, implementation of new standards, and the time spent documenting the process, the majority of the CAFR again was not completed until five months after year-end. While progress has been made, in the event of an emergency with the key employee, it would be difficult for the State to compile the CAFR prior to the December 31 deadline.

The CAFR process entails compiling worksheets, completing reconciliations, customizing reports, and recording various adjustments. The many sources of information and the extent of modification necessary results in a financial reporting process that is highly complex and susceptible to errors. There was internal review of the CAFR build-up prior to submitting the document for audit, but the process did not detect all of the errors in the build-up and GAAP packages. Additionally, while a timeline was developed for the completion of major milestones for the CAFR process, none of the significant deadlines were met and while a first complete draft of the CAFR was planned for November 1, it was not available until December 6. We noted that many financial reporting deliverables were not completed by the projected deadlines.

Additionally, the financial reporting process is highly dependent on cooperation from component units and other agencies. The component units and several large funds have separate audits that need to be coordinated. When there is not a separate audit, accrual accounting (GAAP) packages are completed annually by personnel in departments and agencies across the State. As a result, there are many manual processes completed by agency/department personnel. We noted significant improvement in the timing of receipt of component unit and other agency financial statements. In addition, the GAAP package reporting process also relies on the audit to ensure that amounts are accurate and properly supported. We noted a few errors in the information submitted on the GAAP packages that were not detected by the Division of Accounting's review process.

Recommendation

We recommend that management continue to refine their review of the completed draft CAFR and approve all significant adjustments, conversion to accrual adjustments, and reconciliations. The review should include an evaluation of the reasonableness of individual financial statement line items by an individual with sufficient financial reporting experience to detect inconsistencies and errors.

Because of the complexity of the report build-up process, management should re-evaluate the adjustments to convert budget-basis numbers to GAAP and limit reconciling adjustments to required material amounts. In fiscal year 2006, consistency should be put aside as management evaluates the necessity of the adjustments made to the core Delaware Financial Management System (DFMS) reports for CAFR

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2005

preparation with a focus toward making the year-end financial statements more consistent with management reporting done throughout the year.

We continue to encourage the State to hire financial reporting personnel who can be used to help manage completion of various processes and prepare the CAFR.

The improvements in the component unit timelines and report formats should be built upon to ensure complete compliance, and comments on potential improvements to the financial statements for 2006 should be communicated to the component units by the Division of Accounting as soon as possible to allow them to plan. Additionally, these entities should be provided with control numbers for items expected to be identified in the financial statements, including transfer amounts, debt, cash, and due to/from. The GAAP package preparation process should be a priority for all entities/agencies included in the State's financial reporting entity. The importance of accurate and timely submission of financial information be communicated to the senior management responsible for these entities/agencies. In addition, we recommend that there be periodic status reports communicated to senior management to ensure that the GAAP package preparation process continues to be a priority for the personnel responsible for the accurate submission of information.

GAAP package information should be subject to a site review by Division of Accounting personnel for all material agencies in addition to a desk review by a knowledgeable accountant as soon as received to ensure that amounts are accurate and properly supported.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2005

Department of Finance

Reference Number: 05-FIN-02

Type of Finding: Internal Control Over Financial Reporting

Capital Assets and Construction in Process

In order to calculate the ending capital asset balances for inclusion in the CAFR, the State relies on information recorded in the GAAP packages. As noted in finding 05-FIN-01, the Department of Finance again hired consultants to review the data received from the various departments. The accountants detected numerous errors in the amounts reported by agencies on GAAP packages and some remaining inconsistencies in the methodology used to support the amounts. While significant strides were made in cleaning up the records, most of this effort was accomplished after year-end, which added to the delay in preparing the CAFR. Some of the issues resolved in 2005 included construction projects in process not being timely closed out to the appropriate capital asset category upon completion; projects that were completed and placed into service in prior years, but recorded as capital asset additions in the current year; and the identification of assets purchased on installments not being recorded when the commitment was finalized.

Recommendation

The capital asset and construction in process balances comprise a significant portion of the State's total assets. As such, we recommend that the balances be centrally managed by the Department of Finance including site visits to agencies with significant capital assets and construction projects throughout the year. The development of a capital asset accountant oversight position would ensure that the respective agencies are appropriately maintaining accurate capital asset balances throughout the year, transferring completed projects to the appropriate capital asset category timely, validating the accuracy of system reports and properly calculating ending balances on the GAAP packages. In addition, enhanced training on the proper accounting for capital assets, including construction in process, should be mandatory for all agencies with significant capital asset balances to ensure that each agency is completing GAAP packages and calculating capital asset values consistently and in accordance with the State's policies and generally accepted accounting principles.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2005

Department of Finance

Reference Number: 05-FIN-03

Type of Finding: Internal Control Over Financial Reporting

Information Technology General and Application Controls

The State of Delaware Office of the Auditor of Accounts issued three reports in the prior year that contained reportable conditions related to the information technology general and application controls surrounding the State's accounting (DFMS) and payroll (PHRST) computer systems that are involved in the processing of financial transactions. The Summary Status of Prior Year Findings indicates that, although some items have been corrected, the conditions observed in fiscal year 2004 continued to exist during the period under audit.

A summary of the findings of these reports follows.

State of Delaware Office of the Auditor of Accounts, Department of Finance DFMS Application Controls Fiscal Year 2004 Information Systems Audit (Report IS-2004-02)

This report identified opportunities to strengthen the security and data reliability of DFMS, including weaknesses in the following areas relative to DFMS application controls:

- User account management: DFMS user accounts are not being removed or disabled on a timely basis when personnel transfer or separate from State employment.
- Monthly reconciliations: The majority of agencies and school districts are not remitting the monthly certifications as required by Delaware Accounting Memorandum #04-14. Additionally, the Department of Finance did not have an internal policy to effectively track monthly remittance of agency/school district certifications.
- DFMS authorization forms: The Division of Accounting is not adequately maintaining DFMS authorization forms.
- Access to DFMS production datasets: Programmers responsible for maintaining the DFMS application have been granted access to DFMS production datasets without adequate controls to detect changes made to the production environment.
- DFMS suspense table: Agencies are not resolving DFMS transactions that fail to pass system edit routines in a timely manner.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2005

State of Delaware Office of the Auditor of Accounts, State Personnel Office/Department of Finance, PHRST ERP Audit Fiscal Year 2004 Information Systems Audit (Report IS-2004-03)

This report identified internal control vulnerabilities, which, if exploited, could permit improper changes to the system's security structure and changes to payroll data to occur and not be readily detected, including weaknesses in:

- Security documentation: Management does not maintain documentation relating to the design and assignment of permission lists and roles for the PHRST system.
- Powerful permissions: Security administration functions have not been properly segregated and the assignment of powerful permissions are not commensurate with job functions.
- Restricting access to the application designed tool: Access to PeopleSoft development and integration tools has not been adequately restricted for the PHRST system.
- Security table logging and audit trails: Management does not regularly review PeopleSoft audit tables and changes to the PeopleSoft security tables.

State of Delaware Office of the Auditor of Accounts, Department of Technology and Information, William Penn and Biggs Data Center Controls Follow-Up

This report identified weaknesses in general controls related to the William Penn Data Center, which houses the DFMS and PHRST systems, including weaknesses in:

- Operating system and application development
- Data file access and security administration
- Change control
- Physical security
- Disaster recovery planning and backup procedures

Recommendation

We recommend that the State continue to implement the recommendations as detailed in the above-referenced reports.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2005

Department of Finance

Reference Number: 05-FIN-04

Type of Finding: Internal Control Over Financial Reporting

SuperCard Transactions

The State of Delaware Office of the Auditor of Accounts issued a report entitled *Department of Finance, Statewide SuperCard Audit June 30, 2005* in the current year that contained reportable conditions related to the implementation of the State's procurement and travel card program, known as SuperCard.

The Department of Finance, Division of Accounting, is responsible for the oversight and management of the SuperCard program.

Internal control weaknesses exist at both the oversight level and within the individual departments. Summaries of these weaknesses are as follows:

- Policies and procedures are not updated to reflect the current operating processes of the SuperCard program and do not include:
 - Guidelines for reviewing spending limits and limiting the State's outstanding potential liability.
 - 1099 process for including required SuperCard vendors.
- In addition, stricter criteria should be included in the policies and procedures regarding who should be issued a SuperCard.
- Spending limits assigned to employees are too high.
 - 88.5% of employees (statewide) issued a SuperCard use less than 10% of their assigned credit limit each month.
 - As of January 1, 2005, the total available profile limit to SuperCard holders was approximately \$49,800,000 and the average monthly spending of SuperCard holders was \$6,700,000, leaving \$44,100,000 of the assigned profile limits unspent each month. The State's maximum credit limit is \$20,000,000, \$4,000,000 of which is limited strictly for vendor-specific ACI payments. The maximum risk to the State each month is \$16,000,000. In addition, the state is insured up to \$100,000 per employee if the card is misused by the employee and if the employee is notified of termination within 75 days of the improper item(s) being billed.
 - Neither the Division of Accounting nor the departments review transaction history to determine the appropriateness of profile limits assigned to cardholders.
- Not all cardholders issued a SuperCard have a need for the credit card. As of January 1, 2005, 888 cardholders had no activity on their SuperCard for calendar year 2004.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2005

- Departmental monthly reconciliations of SuperCard transactions are not always completed in a timely manner, and there is not always evidence of supervisory review and approval of the monthly reconciliations.
- Payments to the Division of Accounting for SuperCard purchases are not always timely, and the Division of Accounting did not reconcile the department SuperCard payments on a monthly basis.
- Transactions were not always evidenced by supporting documentation or supervisory approval of the purchase. Of 1,285 transactions reviewed:
 - 110 valued at \$60,166 did not have supporting documentation.
 - 488 valued at \$392,520 did not have evidence of supervisor approval.
- Cash advances are used at some departments throughout the State. Of the \$185,000 cash advances in calendar year 2004, approximately \$4,000 of known misuse has occurred.
- The Department of Administrative Services (under the Office of Management and Budget as of July 1, 2005) did not always comply with State procurement law when utilizing the SuperCard:
 - 22 purchase orders were dated after the purchase of the goods.
 - 20 purchases that should have utilized vendor contracts did not utilize them.
 - 80 purchases were not paid within 30 days of the receipt of the invoice.

Recommendation

We recommend that the Department of Finance, Division of Accounting implement recommendations made in the above-referenced report related to weaknesses at the oversight level.

Questioned Costs

Questioned costs related to federal programs are not determinable as the exceptions noted above include all sources of funding, including State, federal, and other. We noted that, for the major programs audited, SuperCard transactions were not significant. However, see related finding 05-DPH-10.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE
Schedule of Findings and Questioned Costs
Section 3: Federal Award Findings and Questioned Costs
Year ended June 30, 2005

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, as required to be reported by *Office of Management and Budget Circular A-133*, Section .510(a). This section is organized by state agency.

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Division of Services for Aging and Adults with Physical Disabilities	AGI	99
Division of Child Support Enforcement	CSE	103
Division of Management Services	DMS	110
Division of Public Health	DPH	114
Division of Social Services	DSS	137
Division of Substance Abuse and Mental Health	SAM	147

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Services for Children, Youth and Their Families

Reference Number: 05-CYF-01

Program: 93.658 Foster Care—Title IV-E

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs (Cost Allocation Plan)

Criteria

Federal regulations require that “The State shall promptly amend the cost allocation plan and submit the amended plan to the Director [U.S. Department of Health and Human Services, Division of Cost Allocation] (DHSS, DCA), if any of the following events occur:

The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures.

A material defect is discovered in the cost allocation plan by the Director, DCA, or the State.

The State plan for public assistance programs is amended so as to affect the allocation of costs.

Other changes occur which make the allocation basis or procedures in the approval cost allocation plan invalid.” (45 CFR §95.509)

The DHHS Grants Administration Manual, which outlines the protocols for submission, review, and approval of cost allocation plans developed by State agencies for public assistance programs, specifies that “Cost disallowances will be made for inappropriate claims resulting from a State’s failure to comply with its approved cost allocation plan...or its failure to submit an amended plan as required.” (Grants Administration Manual 6-200-50).

Condition

The DHHS Office of Inspector General issued report number A-03-03-00562 dated July 8, 2005 covering the five-year audit period October 1, 1998 to September 30, 2003 that stated, in part:

“Delaware’s cost allocation plan describes the procedures used to identify, measure, and allocate administrative and training costs among benefiting Federal and State programs. DCA approved Delaware’s cost allocation plan 95-1 in March 1999. The plan was effective from October 1998 through September 1999. In December 1999, DCA approved cost allocation plan 95-2, effective October 1999.

After approval of plan 95-2, ACF [DHHS, Administration for Children and Families] regional officials noted unanticipated increases in Title IV-E administrative costs. ACF initiated deferral of certain costs claimed for Title IV-E candidates and requested that the Office of Inspector General audit Delaware’s claims for Title IV-E administrative and training costs developed under plan 95-2.”

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Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

The report further states that:

“The [State Department of Services for Children, Youth and Their Families (DSCYF)] Department of Services used the revised [95-2] methodology to allocate candidates’ case management costs...during the quarters ended December 1999 through June 2003.”

And that:

“Beginning with the quarter ended September 2003, the Department of Services returned to the earlier method that properly allocated candidate costs to benefiting programs. However, the Department of Services did not amend its cost allocation plan.”

The report identifies costs of \$5,859,542 (federal share) over the five-year period under audit related to the use of the 95-2 methodology, and recommends, in part, that the State “...amend its cost allocation plan to reflect the appropriate methodology for allocating administrative costs for foster care candidates.”

DSCYF stated its concurrence with this recommendation in its official response to the audit report, and stated its intention to amend its cost allocation plan in the December 2005-January 2006 time frame, anticipating approval from the Regional Office of the Administration for Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system. DSCYF, in the interim, reverted to the previously approved 95-1 methodology after discussion with DHHS.

For the period under audit for purposes of the Single Audit (July 1, 2004 through June 30, 2005), the Foster Care program was not operating under a cost allocation plan submitted in accordance with 45 CFR §95.509 and HHS Grants Administration Manual Chapter 6-200.

Costs allocated using the original methodology approved in the 95-1 cost allocation plan for the Foster Care program for the year ended June 30, 2005 were \$3,023,362, representing 52% of the total program costs of \$5,813,565.

Cause

Differing interpretations of federal regulations concerning allocable costs.

Effect

Failure to obtain timely approval of the cost allocation plan could result in questioned costs.

Recommendation

We recommend that DSCYF continue to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 which it concurred with in a letter dated May 25, 2005 included as an appendix to that report.

Questioned Costs

Questioned costs are not determinable.

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Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Delaware Emergency Management Agency

Reference Number: 05-DEM-01

Program: 16.007, 97.004, 97.042, 97.067 Homeland Security Cluster

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3).

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods; and (d) they must be signed by the employee (OMB Circular A-87, Attachment B.8.h.4).

Condition

Specific allocations are made from each employee's salary to the grant. Some employee salaries are charged 100% to the grant, while only a portion of other employees' salaries is charged to the grant. There are no personnel activity reports that reflect after-the-fact distributions of the actual activity on the grants charged. No support exists for the salary allocations, and no semiannual certifications were prepared for employees working exclusively on the grant. Total salaries charged to the program were \$746,374. Total expenditures for the program were \$17,438,635.

Cause

DEMA charged time to the Homeland Security Grant based on salary allocations maintained in a spreadsheet. The salary allocations were arbitrary percentages, based on projections of where each individual would spend his or her time. There was no documentation to support the various allocations and no after-the-fact activity reports to true up the charges. DEMA personnel believed the allocations maintained in this spreadsheet were sufficient, because they were indicating the percentage of each person's salary charged to the grant.

Effect

Salaries may be inappropriately allocated to the program.

Recommendation

DEMA is in the process of implementing the Corrective Action Plan from the prior year audit. We recommend that DEMA continue implementation of its Corrective Action Plan.

STATE OF DELAWARE
Schedule of Findings and Questioned Costs
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Year ended June 30, 2005

Questioned Costs

Total salary and fringe costs charged for fiscal year 2005 of \$746,374 as follows:

<u>CFDA Number</u>	<u>Salary Costs</u>	<u>Fringe Costs</u>
16.007	\$ 32,437	\$ 10,973
97.004	17,250	5,827
97.042	164,340	61,758
97.067	<u>324,849</u>	<u>128,940</u>
Total	<u>\$538,876</u>	<u>\$207,498</u>

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE
Schedule of Findings and Questioned Costs
Section 3: Federal Award Findings and Questioned Costs
Year ended June 30, 2005

Delaware National Guard
Reference Number: 05-DNG-01
Program: 12.401 National Guard Military Operations and Maintenance Projects
Type of Finding: Noncompliance, Reportable Condition
Compliance Requirement: Period of Availability

Criteria

In accordance with Cooperative Agreements with the Department of Defense, the federal awards to the National Guard specify a time period during which the nonfederal entity may use the federal funds. Where a funding period is specified, a nonfederal entity may charge to the award-only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the awarding agency.

Condition

We noted in the prior year that the Delaware National Guard had federal grants open dating as far back as fiscal year 1990. While there were no charges being made against the older grants that violated period of availability per the Cooperative Agreement with the Department of Defense, a grant can only be open for a maximum of five years. After this period, a grant must be closed out. For fiscal year 2005, only grants entered into in fiscal year 2001 should remain open.

We recommended in the prior year that the Delaware National Guard review all open grants and close out grants over five years old to ensure they are in accordance with the Cooperative Agreement and the period of availability. Per the agency's Summary Status of Prior Year Findings, this recommendation was not implemented as of June 30, 2005.

Cause

The Delaware National Guard is in the process of coordinating closeout of older grants. However, this requires coordination with the State and federal budgeting authorities, which is still in process.

Effect

The Delaware National Guard is not in compliance with the Cooperative Agreement, which requires grants not to remain open longer than five years.

Recommendation

We recommend that the Delaware National Guard continue to implement its corrective action plan.

Questioned Costs

There are no questioned costs related to this finding.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Delaware National Guard

Reference Number: 05-DNG-02

Program: 12.401 National Guard Military Operations and Maintenance Projects

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs (Effort Reporting)

Criteria

As specified under Section 304 (Allowability of Costs) of the Master Cooperative Agreement (MCA), “except as otherwise stated in this Article or elsewhere in the MCA, the allowability of costs incurred by the State performance of this MCA shall be determined according to the terms and conditions of OMB Circular A-87...effective at the time the cost is incurred.” Chapter 13 of the Delaware National Guard Cooperative Agreement requires that where Army National Guard Operations and Maintenance employees work on facilities with varying federal reimbursement rates, the State Military Department shall apportion their salaries based on the type of facility they support and the amount of time they spend on each one. The State shall charge each portion of overall salary and benefits to the appropriate account as a fraction of full-time equivalents.

Condition

We noted that the Delaware National Guard does not apportion Army operations and maintenance (O&M) employees’ salaries and benefits based on facility reimbursement rate and time spent at facility. We recommended in the prior year that the Delaware National Guard implement policies and procedures that allow them to properly apportion O&M salaries and benefits based on facility reimbursement rate and time spend at each facility. However, as per the agency’s Summary Status of Prior Year Findings, the corrective action has not yet been implemented as of June 30, 2005.

For the fiscal year ended June 30, 2005, the O&M salaries charged 100% to the cooperative agreement were \$353,404 and O&M salaries charged 75% to the cooperative agreement were \$216,497. Total salary and benefit expenditures under the cooperative agreement were \$3,316,729. Total expenditures under the cooperative agreement were \$6,030,168.

Cause

The Delaware National Guard is in the process of implementing the recommendation from the prior year.

Effect

The Delaware National Guard is not in compliance with the Cooperative Agreement, which requires support for O&M employees working on multiple facilities with varying federal reimbursement rates.

Recommendation

We recommend that the Delaware National Guard continue to implement its corrective action plan.

Questioned Costs

O&M salaries and benefits charged of \$569,901.

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See corrective action plan.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Natural Resources and Environmental Control

Reference Number: 05-DNR-01

Program: 11.420 Coastal Zone Management Estuarine Research Reserves

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Davis-Bacon Act

Criteria

Nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the Department of Labor (DOL) regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

Condition

The Department of Natural Resources and Environmental Control (DNREC) expended \$623,385 in federal funds during fiscal year 2005 for a construction project for which contractors did not submit certified payroll records to the State. The project was also partially funded with State funds. Total expenditures under CFDA number 11.420 were \$3,463,850.

Although DNREC was aware that the Davis-Bacon Act applied and the contractors were so informed, DNREC did not have policies and procedures in place to require submission of and monitor certified payrolls.

Cause

Federally funded construction projects are infrequent for most State agencies, including DNREC.

Under State law, State-funded construction projects follow a separate set of prevailing wage rate regulations. Under these regulations, contractors are not required to submit certified payrolls to the State of Delaware but must retain them on file for a period of three years. The State Department of Labor, Division of Labor Law Enforcement, is responsible for oversight of prevailing wage rates for State-funded construction projects, but does not have responsibility for federally funded projects.

If projects are split-funded between federal and state funds, then the higher prevailing wage rate between the two must be paid.

Effect

Differences between State and federal requirements concerning prevailing wage rates have resulted in a lack of clarity concerning requirements and responsibilities related to federally funded or jointly funded construction projects.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Recommendation

Because the State DOL, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that DNREC develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at DNREC.

We further recommend that DNREC develop policies and procedures for coordinating with the DOL, Division of Labor Law Enforcement, regarding split-funded construction projects to which both State and federal laws and regulations apply.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Labor

Division of Unemployment Services

Reference Number: 05-DOL-01

Program: 17.225 Unemployment Insurance

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Reporting

Criteria

The Department of Labor, Division of Unemployment Services (DOL, DUS) is required to submit quarterly SF-269 Forms (OMB No. 0348-0039), Financial Status Reports, to the U.S. Department of Labor, which summarizes the program's expenditures (OMB Circular A-102 [paragraph 2.b]). A separate SF-269 is submitted for each of the following: UI Administration, UI National Activities, Regular Trade Benefits, NAFTA Benefits, and UA Projects (administration and benefits).

Condition

We noted that an SF-269 Form submitted for Regular Trade Benefits (2183 Trade [TAA] Benefits [TRA]) reported the cumulative outlays to date as \$870,194, which differed by \$76,556 from the supporting documentation provided by DUS (amount was underreported). Additionally, for the reporting period in question, there was a reconciling difference of \$1,807 between the internal spreadsheets used to prepare the report and Delaware Financial Management System (DFMS) (the State's general ledger), due to lag adjustments. Therefore, we also noted that the amount of cumulative outlays to date as reported in the SF-269 differed from DFMS by \$78,363.

We noted that for this SF-269 Form, DUS uses internal benefit payment spreadsheets in Excel to track the amount of benefits paid during the reporting period. These Excel spreadsheets are then reconciled to the DFMS, the State's accounting system, on a monthly basis. The spreadsheets are utilized due to a timing lag between when the Fiscal Unit has to report the benefit expenditures to the federal government, and when they receive the final payment data from the Employer Contributions Operations Unit.

We noted that DUS subsequently corrected this error as a result of the cumulative nature of the SF-269 Form submitted for the subsequent quarter.

Cause

The DUS made a keying error when preparing the SF-269 Form for 2183 Trade (TAA) Benefits (TRA).

Effect

DUS did not report the accurate total outlays amount in the SF-269 Form to the U.S. Department of Labor for the period ended June 30, 2005.

Recommendation

We recommend that DUS implement internal controls to ensure that the identification of errors in reporting information occurs prior to submission of the SF-269 Form to the U.S. Department of Labor.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

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Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Transportation

Reference Number: 05-DOT-01

**Program: 20.500, Federal Transit Cluster
20.507**

Type of Finding: Qualification (Scope Limitation), Material Weakness

Compliance Requirement: Allowable Costs

Cash Management

**Matching, Level of Effort and Earmarking
Reporting**

Davis-Bacon Act

Procurement, Suspension and Debarment

Period of Availability

Equipment and Real Property Management

Background

There are split responsibilities for the Federal Transit Cluster. While the Delaware Department of Transportation (DELDOT) is responsible for financial compliance requirements (including cash management and financial reporting), the Delaware Transit Corporation (DTC) is responsible for programmatic aspects of the program. DTC maintains its accounting records in its PeopleSoft-based accounting system that is separate from DELDOT's books and records. Because DELDOT is responsible for cash management, DTC periodically sends a reimbursement request package to DELDOT which records the request package in its accounting system, BACIS, and draws the funds from the Federal Transit Administration. DELDOT uses its records from the BACIS system and the federal drawdown system to prepare periodic financial reports required by the FTA. DELDOT is also responsible for submitted amounts to be recorded on the Schedule of Expenditures of Federal Awards to the State of Delaware Division of Accounting.

Criteria

A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by Grants Management Common Rule and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(Grants Management Common Rule as codified at 49 CFR 18 § 20.)

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2005

Condition

The expenditure amounts per the BACIS system and per the PeopleSoft system do not agree for the year ended June 30, 2005. Discrepancies are as follows:

Projects under CFDA Number 20.500

		Per DTC	Per DELDOT (SEFA)	Difference
DE 03 0016	\$	358,343	(3,768)	362,111
DE 03 0020		4,125,584	4,283,483	(157,899)
DE 03 0022		592,725	-	592,725
		<u>5,076,652</u>	<u>4,279,715</u>	<u>796,937</u>

Projects under CFDA Number 20.507

DE 90 0021	\$	-	146,474	(146,474)
DE 90 0022		1,165,477	3,175,845	(2,010,368)
DE 90 0024		2,674,415	2,674,415	-
DE 90 0025		2,674,414	2,674,414	-
DE 90 0026		2,504,920	-	2,504,920
		<u>9,019,226</u>	<u>8,671,148</u>	<u>348,078</u>
	\$	<u>14,095,878</u>	<u>12,950,863</u>	<u>1,145,015</u>

These discrepancies carryover into determining whether matching requirements have been met, whether cash drawdowns are appropriate, and whether financial reporting reflects accurate and correct expenditures.

Cause

Although DELDOT's records agree with the Federal Transit Administration (FTA)'s records, the records of those with responsibility for determining the allowability of costs and managing the Federal Transit Cluster programmatically are not in agreement. This is due to several factors, including:

- DELDOT does not always record expenditures in the same project as DTC for purposes of federal cash management and reporting based on available cash amounts per the FTA drawdown system.
- There are timing differences due to lags between expenditure of funds and project approvals and project extensions granted by the FTA. Until a project is approved or extended, funds cannot be drawn by DELDOT. This resulted in prior fiscal year expenditures being reported on the current year Schedule of Expenditures of Federal Awards because reported SEFA amounts reflect cash received rather than cash expended.
- There are some FTA grants that are expended directly by DELDOT, which create reconciling items between DELDOT's records and DTC's records.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Effect

We were unable to audit the program's allowable costs, cash management, matching and reporting because we were unable to determine the appropriate population from which to draw samples. As noted above, there is a difference of approximately \$1.1 million between amounts reported on the Schedule of Expenditures of Federal Awards and expenditure amounts per DTC records.

Recommendation

We recommend that: DELDOT and DTC continue to improve the process by which balances per the BACIS system, the federal drawdown system, and balances per the PeopleSoft system are reconciled at the project level on a monthly basis and records of either DELDOT, DTC, or both are adjusted as appropriate to maintain agreement between the systems.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Delaware Technical and Community College Wilmington-Stanton Campus

Reference Number: 05-DTC-01

**Program: 84.007, Student Financial Assistance Cluster
84.032.
84.033,
84.038,
84.063**

Type of Finding: Noncompliance

Compliance Requirement: Reporting (Pell Reporting)

Criteria

All schools submit Pell payment data to the U.S. Department of Education through the Common Origination and Disbursement (COD) System. Per 34 CFR section 690.83, institutions must report student payment data within 30 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 30 calendar days, bi-weekly, weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Condition

For one out of 30 Pell recipients selected for the Wilmington-Stanton campus (and out of 90 Pell recipients selected across the three Del Tech campuses), both the fall and spring Pell disbursements were not reported within the 30-day time frame.

Cause

We recommended in the prior year that the Wilmington-Stanton campus enhance its policies and procedures to ensure that Pell disbursement records are submitted to the Department of Education within the required 30 calendar days. Although corrective action was implemented by the campus, it was not in effect for the entire fiscal year.

Effect

The federal Department of Education was not notified of the student's disbursement until 81 days subsequent to the disbursement being made to the student's account.

Recommendation

We recommend that the Wilmington-Stanton campus reinforce its policies and procedures to ensure that Pell disbursement records are submitted to the Department of Education within the required 30 calendar days.

Questioned Costs

There are no questioned costs associated with this finding.

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Schedule of Findings and Questioned Costs

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See corrective action plan.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

**Delaware Technical and Community College
Wilmington/Stanton Campus**

Reference Number: 05-DTC-02

**Program: 84.007, Student Financial Assistance Cluster
84.032,
84.033,
84.038,
84.063**

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Special Tests and Provisions (Return of Title IV Aid)

Criteria

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (34 CFR sections 668.22(a)(1)-(3)).

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of: (1) the payment period or period of enrollment for a program measured in credit hours; or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours. Otherwise, the percentage earned by the student is equal to the percentage of the payment period or period of enrollment that was completed as of the student's withdrawal date. The percentage of Title IV grant or loan assistance that has not been earned by the student is the complement of one of these calculations. Standard term-based institutions must always use the payment period as the basis for the determination.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew (34 CFR section 668.22(e)).

Condition

We recommended in the prior year that the campus enhance policies and procedures to identify students who withdrew before the 60% point of the semester and that the Wilmington/Stanton campus train all personnel to perform Return to Title IV calculations. Although the campus implemented corrective action as per its Summary Status of Prior Year findings, errors remain in the process.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

We selected a sample 45 students who withdrew from the Wilmington/Stanton campus and noted the following exceptions:

1. The College credited a student's account with a post withdrawal disbursement prior to the student accepting the award, which consisted of \$1,013 in Pell funds and \$87.13 in FSEOG funds). In addition the student accepted the disbursement subsequent to the 14 day deadline outlined by the campus.
2. For one of the 45 students selected, the College did not disburse funds although the student withdrew after the 60% point of the semester, entitling him to 100% of his aid that was authorized. This student should have been disbursed \$1,195 in Pell funds and \$100 in FSEOG funds.
3. For one of the 45 students selected, the College did not perform a Return of Title IV calculation within 30 days of when the College became aware that the student withdrew. Approximately three months had passed.

Cause

1. Due to an oversight, the student financial aid office erroneously credited the student's account with a post-withdrawal disbursement, prior to the student actually accepting the funds.
2. All students listed on the listed on the "Last Date Attended" report (LDA) report receive an 800 code on their account in the Student Financial Aid computer system (Banner), which does not allow them to be disbursed any funds. The campus is, however able to pay all other students. The student financial aid office will review the LDA report to determine which students require a return to Title IV calculation. After their review, the 800 code is released from the student's account and the appropriate amount is disbursed (based on the calculation). Due do human error, the office never released the 800 code from above student's account.
3. A return to Title IV calculation was not performed in a timely manner due to an oversight by the campus's student financial aid office.

Effect

1. Although in this instance the student did eventually accept the disbursement, in the future the College could erroneously disburse funds to students without their acceptance.
2. The student was entitled to receive a disbursement in the amounts of \$1,195 Pell and \$100 SEOG, however never received it.
3. Title IV funds were not returned to the Department of Education within the required timeframe.

Recommendation

We recommend that the campus enhance current policies and procedures to ensure that post-withdrawal disbursement are appropriately managed, Title IV aid is returned within federally established time frames, and that student aid is appropriately disbursed to students who have withdrawn from the campus.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Delaware Technical and Community College

Owens Campus

Reference Number: 05-DTC-03

Program: 84.007, Student Financial Assistance Cluster
84.032,
84.033,
84.038,
84.063

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Special Tests and Provisions (Return of Title IV Funds)

Criteria

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (34 CFR sections 668.22(a)(1)-(3)).

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of: (1) the payment period or period of enrollment for a program measured in credit hours; or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours. Otherwise, the percentage earned by the student is equal to the percentage of the payment period or period of enrollment that was completed as of the student's withdrawal date. The percentage of Title IV grant or loan assistance that has not been earned by the student is the complement of one of these calculations. Standard term-based institutions must always use the payment period as the basis for the determination.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew (34 CFR section 668.22(e)).

Condition

Out of a sample of 45 federal student financial aid recipients who withdrew from the Owens campus, we noted the following exceptions:

1. One student's return to Title IV calculation utilized the correct award amounts; however, the student's Pell award in the College's Student Financial Aid system (BANNER) was incorrect. This student was not eligible to receive Pell based on the EFC and enrollment status (less than 1/2 time); however, due to a

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manual error, the student's enrollment in Banner was changed to full-time and the student received \$350 in Pell. The full amount of \$350 should have been returned to the federal Department of Education.

2. One student's withdrawal date listed on the return to Title IV calculation was incorrect. The correct date that should have been utilized in the calculation is February 4, 2005. The calculation was re-performed using the correct date, which resulted in the student's earned aid to increase by approximately \$19.

Cause

Due to oversights, the campus's student financial aid office erroneously changed the student's account to reflect a full-time status and utilized the incorrect withdrawal date in the second instance noted above.

Effect

1. In the first instance noted above, the campus should have returned an additional \$350 to the federal Department of Education.
2. In the second instance noted above, due to an incorrect withdrawal date used in the calculation, the student was eligible for an additional \$19 in Title IV funds which were erroneously returned to the federal Department of Education.

Recommendation

Due to the fact that return to Title IV calculations are performed manually, we recommend that the campus develop policies and procedures to ensure that such calculations are reviewed in a timely manner to reduce the rate of human error.

Questioned Costs

Total questioned costs are \$331, the net of the instances noted above.

Views of Responsible Officials

See corrective action plan

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Delaware Technical and Community College

Wilmington-Stanton Campus

Reference Number: 05-DTC-04

Program: 84.007, Student Financial Assistance Cluster

84.032,

84.033,

84.038,

84.063

Type of Finding: Noncompliance

Compliance Requirement: Special Tests and Provisions (Verification)

Criteria

An institution not participating under a federal Department of Education-approved QAP [Quality Assurance Program] is required to establish written policies and procedures that incorporate the provisions of 34 CFR sections 668.51 through 668.61 for verifying applicant information. Such an institution shall require each applicant whose application is selected by the central processor, based on edits specified by ED, to verify the information specified in 34 CFR section 668.56. However, certain applicants are excluded from the verification process as listed in 34 CFR section 668.54(b). The institution is not required to verify the applications of more than 30 percent of its total number of applicants. The institution shall also require applicants to verify any information used to calculate an applicant's expected family contribution (EFC) that the institution has reason to believe is inaccurate. Generally, the information that must be updated is the number of family members, number of family members attending postsecondary educational institutions, and the applicant's dependency status (34 CFR section 668.55). Information that must be verified or updated is adjusted gross income, U.S. income tax paid, aggregate number of family members in the household, number of family members in the household who are enrolled as at least half-time students in postsecondary educational institutions if that number is greater than one, and untaxed income and benefits including, but not limited to:

- Social Security benefits if the institution has reason to believe that those benefits were received and were not reported or were not correctly reported;
- Child support if the institution has reason to believe child support was received;
- U.S. income tax deductions for a payment made to an individual retirement account or Keogh account;
- Interest on tax-free bonds;
- Foreign income excluded from U.S. income taxation if the institution has reason to believe that foreign income was received;
- Earned income credit taken on the applicant's tax return

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Condition

For a sample of 30 students who were selected by for verification by the Wilmington-Stanton campus (and 90 students who were selected for verification across all three campuses), we noted one instance of the amount of earned income credit reported on the parents' 2003 tax return not being included in the student's institutional student information record (ISIR). This error was not detected during the verification process.

Cause

The student had correctly submitted their parent's tax return for verification purposes, however, the error was not detected due to human error.

Effect

There was no impact on the student's EFC due to this error.

Recommendation

We recommend that the error noted be corrected in the student's ISIR.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

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Delaware Technical and Community College

All Campuses

Reference Number: 05-DTC-05

Program: 84.007, Student Financial Assistance Cluster
84.032,
84.033,
84.038,
84.063

Type of Finding: Reportable Condition

Compliance Requirement: Eligibility

In the prior year, the State of Delaware Office of the Auditor of Accounts engaged a third party to perform a general controls review of the Banner Application, which supports the Student Financial Assistance Cluster at Delaware Technical and Community College.

Findings identified in the report include weaknesses related to the following:

- **Policies and procedures are not formalized (documented).** The College maintains general policies and procedures for the information technology department; however, detailed operating procedures are not documented. Documented procedures can help maintain continuity of operations in the event of turnover of key support personnel.
- **Backup and Recovery.** The College does not have a written plan for disaster recovery. Additionally, the College has not identified an alternate processing site for the Banner Application that can be used in the event that the datacenter at the Terry Campus should become unavailable.
- **User Account Administration.** Individuals had access to Banner who were no longer employed by the College, and some access levels that did not match current job responsibilities. Periodic access reviews are not performed to ensure that access to Banner remains appropriate over time.
- **High Access Levels.** There are an excessive number of Banner System Administrators. This function should be limited to the individuals who perform administration duties.
- **User Authentication Procedures.** Passwords are not required to change at the Banner or Unix level. There are no password complexity requirements.
- **Change Control.** The process for applying patches to Banner appears to be a sound process; however, the process for tracking Banner problems could be improved and the procedures for applying patches or upgrades to Unix have not been documented.

Delaware Technical and Community College is currently in the process of implementing its Corrective Action plan. The conditions noted in this report still exist as of June 30, 2005.

Questioned Costs

There are no questioned costs associated with this finding.

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Recommendation

We recommend that Delaware Technical and Community College continue to implement the recommendations as detailed in the above-referenced report.

Views of Responsible Officials

See corrective action plan.

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Department of Technology and Information

Reference Number: 05-DTI-01

Program:	93.775, 93.777, 93.778	Medical Assistance Cluster	Eligibility
	93.767	State Children's Health Insurance Program	Eligibility
	93.558	Temporary Assistance for Needy Families	Eligibility
	10.551, 10.561	Food Stamp Cluster	Eligibility
	93.596	Child Care Cluster	Eligibility
	93.563	Child Support Enforcement	Eligibility
	10.557	Supplemental Nutrition Program for Women, Infants and Children	Eligibility
	17.225	Unemployment Insurance	Eligibility
	20.500, 20.507	Federal Transit Cluster	Reporting
	20.205	Highway Planning and Construction Cluster	Reporting

Type of Finding: Reportable Condition

Compliance Requirement: see above

The State of Delaware Office of the Auditor of Accounts issued in the prior year a report which contained reportable conditions related to the information technology general controls surrounding the State's eligibility determination systems housed in the Biggs Data Center, including the DCIS II System (Medicaid, TANF, Food Stamps), the CCMIS System (Child Care), the WIC System (WIC Program), and the DACSES system (Child Support Enforcement). Additionally, the report contains reportable conditions related to the information technology general controls surrounding the State's Unemployment system, and Department of Transportation systems, which are housed in the William Penn Data Center. The Biggs Data Center and William Penn Data Center are maintained by the Department of Technology and Information (DTI).

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Findings identified in the report, entitled *State of Delaware Office of the Auditor of Accounts, Department of Technology and Information, Biggs and William Penn Data Center General Controls Follow-Up*, include weaknesses related to the following for the Biggs data center:

- Data security and classification
- User account management
- Data file access and security administration
- File transmissions
- Business resumption
- Physical security and environmental controls
- Program change control
- Tape back-up

Additionally, the following weaknesses were identified for the William Penn data center:

- Operating system and application development
- Data file access and security administration
- Change control
- Physical security
- Disaster recovery planning and backup procedures

We recommended in the prior year that the Department of Technology and Information implement the recommendations as detailed in the above-referenced report. As per the Summary Status of Prior Year findings, remediation efforts are ongoing but have not yet been completed as of June 30, 2005.

Questioned Costs

There are no questioned costs associated with this finding.

Recommendation

We continue to recommend that the Department of Information and Technology implement its corrective action plan.

Views of Responsible Officials

See corrective action plan.

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Education Findings by School District within the State Education Agency

Federal funding is passed through the State Department of Education to Delaware school districts that are part of the reporting entity. Similar findings at the school districts and Department of Education have been grouped by compliance requirement as noted in the table below.

Finding	Dept. of Education	Brandywine School District
05-ED-01	X	
05-ED-02	X	
05-ED-03	X	
05-ED-04	X	
05-ED-05	X	
05-ED-06		X
05-ED-07	X	

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Department of Education

Reference Number: 05-ED-01

Program: 10.558 Child and Adult Care Food Program

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Subrecipient Monitoring

Criteria

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that any required audits are completed within nine months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

For subrecipients, the state/administering agency must administer the application procedures to ensure those organizations meet the eligibility criteria as required by 7 CFR 226.6. Included within the application process is the requirement that the applicant certify that information on the application is true and accurate as well as disclose its prior experience with publicly funded programs, indicate its outside employment policy and the proper contact information.

Condition

The State Department of Education (DOE) did not have formal policies and procedures in place to monitor OMB Circular A-133 reporting for its 95 subrecipients under this program. There was no evidence that a confirmation was obtained for subgrantees that were not required to have an audit. For three subgrantees that had each received more than \$500,000 directly from DOE, there was no confirmation or follow-up on OMB Circular A-133 reporting. However, DOE does continue to monitor its subrecipients on an ongoing basis in accordance with the record-keeping requirements of 7 CFR section 226.15(e), which requires that each subrecipient shall establish procedures to collect and maintain all program records required by 7 CFR 226. The total amount of expenditures passed through to subrecipients was \$9,366,303 for the year ended June 30, 2005.

Additionally, based on our review of subrecipient applications, we noted that none of the applications included their outside employment policy as required by 7 CFR 226.6. However, the DOE does continue to monitor its subrecipients on an ongoing basis in accordance with the record-keeping requirements of 7 CFR section 226.15(e), which requires that each subrecipient shall establish procedures to collect and maintain all program records required by 7 CFR 226. The total amount of expenditures passed through to subrecipients was \$9,366,303 for the year ended June 30, 2005.

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Cause

DOE did not monitor the requirement of subrecipients submitting an outside employment policy as part of the application process.

Effect

DOE has had turnover in personnel, thus, there was no evidence of follow-up procedures for those subrecipients who were required to receive an OMB Circular A-133 audit and to submit the audit report to DOE. Additionally, DOE was not in compliance with the eligibility requirements for administering the application process for its subrecipients.

Recommendation

We recommend that DOE implement formal policies and procedures to ensure that subrecipient audit reports are obtained on a timely basis, and that appropriate follow-up is taken on findings, where applicable. We further recommend that the Department also ensure that it obtains confirmation from its subrecipients that they are not required to have an OMB Circular A-133 audit, if applicable.

We further recommend that DOE revise its applications to ensure that outside employment policies are properly included in the application process so eligibility is properly evaluated and determined.

Questioned Costs

Subrecipients were monitored in accordance with 7 CFR 226.15(e). Questioned costs that may have been determined via the Single Audit monitoring process are not determinable.

Views of Responsible Officials

See corrective action plan.

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Year ended June 30, 2005

Department of Education

Reference Number: 05-ED-02

Program: 10.553, Child Nutrition Cluster

10.555,

10.556,

10.559

Type of Finding: Noncompliance

Compliance Requirement: Reporting

Criteria

DOE is required to submit an annual SF-269 Form (OMB No. 0348-0039), Financial Status Report, to the U.S. Department of Agriculture, which summarizes the program's expenditures for the year (OMB Circular A-102 [paragraph 2.b]).

Condition

We noted that the SF-269 Form for the Child Nutrition Cluster reported the total federal funds authorized for the funding period as \$15,891,038, which differed by \$375,146 from the estimated receipts amount reported in the Delaware Financial Management System (DFMS), the state's accounting system (amount was underreported).

Cause

DOE erroneously entered the total expended balance instead of the estimated receipts amount as reported in the underlying accounting system (DFMS).

Effect

DOE did not report the accurate authorized amount in the SF-269 Form to the U.S. Department of Agriculture.

Recommendation

We recommend that DOE submit an amended SF-269 Form to the U.S. Department of Agriculture to correct the error.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

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Year ended June 30, 2005

Department of Education

Reference Number: 05-ED-03

Program: 84.287 21st Century Community Learning Centers

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Subrecipient Monitoring

Criteria

A pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that any required audits are completed within nine months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

Condition

DOE did not follow its internal policies and procedures established to monitor the activities of its subrecipients under this program, as evidenced by the following:

- For the program's five subrecipients, there was no evidence that the required site visits had been performed by DOE.
- For the program's five subrecipients, DOE had not received any of the required annual expenditure reports or outcome-based data from the subrecipients.
- For one of the program's five subrecipients, DOE had disbursed federal funds to the subrecipient without having gone through a re-application process, including review and approval by the program manager.

The total amount of expenditures passed through to subrecipients was \$1,726,588 for the year ended June 30, 2005. Total expenditures for the program as a whole were \$3,584,733.

Cause

Because of turnover in the personnel responsible for this federal program, there was no evidence that DOE was following its own internal policies and procedures related to monitoring the subrecipients of federal awards.

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Effect

DOE did not fulfill its pass-through entity responsibilities related to the monitoring of subrecipient activities, including required reporting and follow-up

Recommendation

We recommend that DOE reinforce its policies and procedures to ensure that subrecipient activities are monitored on a timely basis, and that the monitoring visits are documented and reviewed by a supervising official. We further recommend that DOE ensures that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis.

Questioned Costs

Questioned costs are \$1,726,558, the amount passed through to entities that were not monitored.

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2005

Department of Education

Reference Number: 05-ED-04

Program: 84.010 Title I

84.048 Vocational Education

84.027, Special Education Cluster

84.173

Type of Finding: Qualification (Scope Limitation), Reportable Condition

Compliance Requirement: Reporting

Criteria

The following reports are required by the federal Department of Education:

State Per Pupil Expenditure (SPPE) Data (OMB No. 1850-0067) -Each year, a State Education Agency must submit its average State per pupil expenditure (SPPE) data to the National Center for Education Statistics. These SPPE data are used by the federal Department of Education to make allocations under several Elementary and Secondary Education Act of 1965 (ESEA) programs, including Title I, Part A.

Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals With Disabilities Education Act, as amended (OMB No. 1820-0043) - Each State educational agency is required to report to the Secretary an unduplicated count of children with disabilities receiving special education and related services.

Accountability Report (Form IV) Consolidated Annual Performance, Accountability, and Financial Status Report (OMB No. 1830-0503) - Each year a grantee must file an accountability report containing data to be used in determining whether it met its adjusted performance levels for each of its core indicators of performance: (1) attainment of academic and vocational skills; (2) attainment of diploma or credential; (3) placement and retention; and (4) participation in, preparation for, and completion of programs leading to non-traditional occupations and any State indicators of performance. [Section 113(b)(2)(A) of Perkins III (20 USC 2323(b)(2)(A)).]

Condition

The State Department of Education (DOE) provides centralized statewide data management for public education.

The State's Office of the Auditor of Accounts originally performed procedures relating to the general and application controls surrounding the eSchoolPlus computer system, which is used for student accounting at the school district and Department of Education levels, for the period February 19, 2004 through March 31, 2004 (Department of Education, General Information System Controls for the eSchoolPlus Processing Environment). This report, which identified twenty-one recommendations, which was followed up by a report dated April 26, 2005 (Department of Education, General Information System Controls for the eSchoolPlus Processing Environment Follow-up). The follow-up report noted that five of the twenty-one findings had been implemented, six had been partially implemented, and ten had yet to be addressed by DOE.

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Remaining deficiencies in general and application controls surrounding the eSchoolPlus system include deficiencies related to:

- Physical access and security
- Change management
- Monitoring
- Logical security administration and access controls
- Disaster recovery plan and backup policies and procedures

Additionally, DOE was unable to provide the Vocational-Technical Education Enrollment Report for Cape Henlopen School District. These reports are gathered and used by DOE to compile the total amounts reported in the Consolidated Annual Performance, Accountability, and Financial Status Report (CAR).

Cause

ESchoolPlus has been recently implemented by the State. Due to system failures at Cape Henlopen School District related to the eSchoolPlus implementation, DOE could not gather the underlying vocational student enrollment data that supports the amounts reported in the CAR.

Effect

We were unable to test the underlying data of the CAR as it related to Cape Henlopen School District. Additionally, weaknesses in general and application controls may result in future problems with data integrity.

Recommendation

We recommend that DOE implement corrective actions as contemplated in their response to the Office of the Auditor of Account's reports to reasonably ensure integrity of the eSchoolPlus system.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

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Department of Education

Reference Number: 05-ED-05

Program: 84.048 Vocational Education

84.027, Special Education

84.173

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs

Criteria

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation...Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made, and costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than 10%; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Condition

Vocational Education

Of the 30 payroll expenditures selected for testwork, we noted that 8 were based on budgeted, rather than actual, effort supported by the employees' time and effort certifications.

Special Education

Of the 33 payroll expenditures selected for testwork, we noted that 7 were based on budgeted, rather than actual, effort supported by the employees' time and effort certifications.

Cause

DOE has not yet developed procedures to make adjustments (quarterly or annually) to payroll costs charged to federal awards in order to reflect the activity actually performed by their employees. DOE does have procedures in place that require employees to complete periodic time and effort certifications as required by OMB A-87, however, the costs charged to federal awards are ultimately based on budgeted amounts programmed through the State-wide payroll system.

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Effect

Salaries may be inappropriately allocated to the Vocational Education and Special Education programs.

Recommendation

We recommend that DOE develop procedures to periodically adjust payroll costs charged to federal awards based on the actual activity performed, as supported by the time and effort certifications.

Questioned Costs

Vocational Education

Of the 30 payroll expenditures selected for testwork, we noted that 4 employees had payroll costs charged that were less than the actual effort supported by the time and effort certifications, for a total difference (undercharge) of \$(167.57). We also noted 4 employees that had payroll costs charged that were more than the actual activity reported, for a total difference (overcharge) of \$594.40. Net questioned costs are \$426.83.

Special Education

Of the 33 payroll expenditures selected for testwork, we noted that 6 employees had payroll costs charged that were less than the actual effort supported by the time and effort certifications, for a total difference (undercharge) of \$(1,605.36). We also noted 1 employee that had payroll costs charged that were more than the actual activity reported, for a total difference (overcharge) of \$86.04. There are no net questioned costs.

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2005

Department of Education

Brandywine School District

Reference Number: 05-ED-06

Program: 84.010 Title

84.367 Improving Teacher Quality

84.027, Special Education Cluster

84.173

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee (OMB Circular A-87, Attachment B.8.h.3).

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation...Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee (OMB Circular A-87, Attachment B.8.h.4).

Condition

We noted, based on a sample of 30 payroll charges, that Brandywine School District did not maintain the personnel activity reports (effort reports) as required for those employees who worked on multiple programs. We also noted that the school district neglected to obtain the required certifications for employees who spent 100% of their time in one federal program.

Total payroll and benefit costs for Brandywine School District for these programs were:

Title I	\$1,867,399
Improving Teacher Quality	\$1,188,380
Special Education	\$1,828,770

Total payroll and benefit costs for these programs as a whole across the State were:

Title I	\$23,942,764
Improving Teacher Quality	\$11,655,745
Special Education	\$20,399,653

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Cause

The Brandywine School District did not maintain effort reporting for employees that were either fully or partially funded for the programs listed above. It appears that there was a misinterpretation of the federal guidelines as to effort reporting.

Effect

Salary and related costs allocated to federal programs are not appropriately supported.

Recommendation

We recommend that Brandywine School District maintain personnel activity reports (effort reports) for all employees who work on multiple programs or obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source.

Questioned Costs

Total salaries and benefit payments at Brandywine School District of:

Title I	\$1,867,399
Improving Teacher Quality	\$1,188,380
Special Education	\$1,828,770

Views of Responsible Officials

See corrective action plan.

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Department of Education

Reference Number: 05-ED-07

Program: 84.010 Title I

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Special Tests and Provisions (Comparability)

Criteria

A Local Education Agency (LEA) is considered to have met the statutory comparability requirements if it has implemented (1) an LEA-wide salary schedule; (2) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and (3) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies. An LEA may also use other measures to determine comparability, such as comparing the average number of students per instructional staff or the average staff salary per student in each school receiving Title I, Part A or Migrant Education Program (MEP) funds with those in schools that do not receive Title I, Part A or MEP funds. If all schools are served by Title I, Part A or MEP, an LEA must use State and local funds to provide services that, taken as a whole, are substantially comparable in each school. Determinations may be made on either a district-wide or grade-span basis. (Title I, Section 1120A(c)-(d) of ESEA (20 USC 6321(c)-(d)); 34 CFR sections 200.79 and 200.88).

Each LEA must develop procedures for complying with the comparability requirements and implement the procedures annually. They must maintain records that are updated biennially documenting compliance with the comparability requirements. The State Education Agency (SEA), however, is ultimately responsible for ensuring that LEAs remain in compliance with the comparability requirement (Title I, Section 1120A(c) of ESEA (20 USC 6321(c))).

Condition

We noted that the State's school districts did not have documented policies and procedures to ensure equivalence among schools in teachers, administrators, and other staff, as well as equivalence among schools in the provision of curriculum materials and instructional supplies.

We noted that the U.S. Department of Education's (ED) Student Achievement and School Accountability (SASA) Programs performed a monitoring review of the DOE's administration of Title I programs. The monitoring report issued by ED on 12/20/05 identified a finding and recommendation relating to the comparability requirement for the Title I program.

Recommendation

We recommend that DOE implement the recommendation as detailed in the above-referenced monitoring report.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See Corrective Action Plan.

STATE OF DELAWARE

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Office of Management and Budget

Reference Number: 05-OMB-01

Program: 84.010 Title I

- 84.367 Improving Teacher Quality**
- 84.318 Technology Literacy Challenge Grants**
- 84.048 Vocational Education**
- 84.287 Twenty-First Century Community Learning Centers**
- 84.027, Special Education Cluster**
84.173
- 10.558 Child and Adult Care Food Program**
- 20.500, Federal Transit Cluster**
20.507
- 20.205 Highway Planning and Construction Cluster**
- 10.557 Supplemental Nutrition Program for Women, Infants and Children**

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Cash Management

Criteria

Under the Cash Management Improvement Act of 1990, as amended by the Cash Management Improvement Act of 1992, codified at 31 USC 6501 and 31 USC 6503, the State of Delaware has entered into a Cash Management Improvement Act Agreement between the State of Delaware and the US Secretary of the Treasury.

All CFDA numbers with expenditures of greater than \$5.7 million are considered Subpart A programs under the jurisdiction of the Treasury-State agreement (note that there is no clustering for purposes of the Treasury-State agreement). All other CFDA numbers (and programs without CFDA numbers) are considered Subpart B programs. For Subpart B programs, "cash advances to the State shall be limited to the minimum amounts needed and shall be timed to be in accord only with actual, immediate cash requirements of the State in carrying out a program or project. The timing and amount of the cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of any allowable indirect costs" (31 CFR section 205.7 and 205.20). The State of Delaware as a practical matter generally applies the same funding techniques required for its subpart A programs to its subpart B programs.

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Year ended June 30, 2005

The predominant funding technique for the State is the Composite Clearance method, which is defined in the agreement as follows:

“The State shall request funds such that they are deposited on the dollar-weighted average number of days required for funds to be paid out for a series of disbursements, in accordance with the clearance pattern specified...The request shall be made in accordance with the appropriate Federal agency cut-off time specified...The amount of the request shall be the sum of the payments issued in the series of disbursements.”

A State must submit to [the federal government] an Annual Report accounting for State and Federal interest liabilities of the State's most recently completed fiscal year. Adjustments to the Annual Report must be limited to the two State fiscal years prior to the State fiscal year covered by the report. The authorized State official must certify the accuracy of a State's Annual Report. A signed original of the Annual Report must be received by December 31 of the year in which the State's fiscal year ends...a State must submit a description and supporting documentation for liability claims greater than \$5,000 (31 CFR Part 205.26).

Condition

We noted several instances across the State in which the composite clearance method was not appropriately followed, including:

1. For the Child and Adult Care Food program, for one out of three cash draws selected for testwork, the drawdown was made one day after the midpoint of the composite group of disbursements. The weighted average clearance for the Child and Adult Care Food Program is ten days for non-payroll disbursements per the Treasury-State Agreement. The amount that was drawn was approximately \$175,000.
2. For the Title I, Improving Teacher Quality, Special Education, Vocational Education, Twenty First Century Community Learning Centers, and Technology Literacy Challenge Grants programs, we noted that two of the eleven cash draws selected for testwork, the draws were made seven days after the midpoint of the group of composite disbursements although the weighted average clearance for vendor payments per the Treasury-State Agreement is ten day for non-payroll disbursements. The amount of non-payroll expenditures that were drawn were approximately \$858,000 in total for the two draws.
3. The WIC program draws down approximately weekly. For three of the thirteen cash drawdowns selected for testwork, the WIC Program had not maintained contemporaneous supporting documentation from the State's general ledger system (DFMS) supporting the amount and timing of the draw. These draws totaled \$862,509. Total drawdowns for the sample totaled \$5,713,766.

The State's accounting system (DFMS) does not have the ability to be queried as of a point in time. Additionally, validity reports that detail account balances in the DFMS system on a weekly basis are not maintained by the Program and the State maintains such reports electronically for a limited period of time.

4. For the Highway Planning and Construction Cluster, we noted that all thirteen draws selected for testwork were made five days subsequent the midpoint of the group of composite disbursements. The weighted average clearance for all disbursements per the Treasury-State agreement is seven days. Total drawdowns for the sample were \$26,895,315.

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5. For the Federal Transit Cluster, we noted that all five draws selected for testwork were made five days subsequent to the midpoint of the group of composite disbursements. The weighted average clearance for all disbursements per the Treasury-State agreement is ten days. Total drawdowns for the sample were \$7,875,447.

The State reported no interest liability on its annual report for the year ended June 30, 2005.

Cause

The State's Office of Management and Budget (OMB) has overall responsibility for the State's compliance with the Treasury-State agreement, including:

- negotiation of the Treasury-State agreement,
- determination of and distribution to program agencies of weighted average days outstanding for programs under the composite clearance method,
- oversight of the State's cash management activities, and
- reporting to the federal government regarding annual interest liabilities.

Although the State's OMB has informally discussed cash management with the responsible parties at each State agency, there are no formalized Statewide policies and procedures regarding federal cash management, including document retention related to federal cash draws. Agencies have not received copies of the executed Treasury-State agreement. Additionally, there has been no formal training for individuals responsible for federal cash management activities.

Effect

Many agencies are unclear regarding appropriate application of the terms of the Treasury-State agreement.

Per the Department of Treasury's Website (<http://fms.treas.gov>), for States with a fiscal year that began on July 1, 2004, the annualized interest rate is 2.28% (0.0228). The daily interest rate is 0.00625% (0.0000625).

Known interest liability due to the federal government calculated on the above instances is as follows:

Condition Identified Above	Amount	Days	Interest Rate	Liability
1.	\$175,000	8	.0000625	\$ 88
2.	\$858,000	3	.0000625	161
3.	\$862,509	N/A	N/A	Undeterminable
4.	\$26,895,315	2	.0000625	3,737
5.	\$ 7,875,447	2	.0000625	984
				<u>\$4,970</u>

Such amounts were not reported in the State's annual interest report.

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Recommendation

We recommend that the State's OMB:

- develop Statewide policies and procedures related to federal cash management activities,
- provide copies of the Treasury-State agreement to each impacted agency, and
- provide periodic training sessions for individuals responsible for federal cash management activities.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of State

Reference Number: 05-STA-01

Program: 64.203 State Cemetery Grants

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Davis-Bacon Act

Criteria

Nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

Condition

During fiscal year 2005, \$3,072,451 in federal funds were expended in a construction project for which the contractor did not contemporaneously submit certified payroll records to the State. The project was entirely federally funded. Total expenditures under CFDA number 64.203 were \$3,275,520.

Although the Department was aware that the federal prevailing wage rates applied and the contractors were so informed, the Department did not have policies and procedures in place to require submission of and monitor certified payrolls. Certified payrolls for this project were provided to the Department of State by the contractor upon request in February 2006.

Cause

Federally-funded construction projects are infrequent for most State agencies, including the Department of State.

Under State law, State-funded construction projects follow a separate set of prevailing wage rate regulations. Under these regulations, contractors are not required to submit certified payrolls to the State of Delaware but must retain them on file for a period of three years. The State Department of Labor, Division of Labor Law Enforcement, is responsible for oversight of prevailing wage rates for State-funded construction projects, but does not have responsibility for federally funded projects.

Effect

Differences between State and Federal requirements concerning prevailing wage rates have resulted in a lack of clarity concerning requirements and responsibilities related to federally funded or jointly funded construction projects.

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Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that the Department of State develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Department level.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

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Year ended June 30, 2005

Department of Health and Social Services

Division of Services for the Aging and Adults with Physical Disabilities

Reference Number: 05-AGI-01

Program: 93.044, Aging Cluster
93.045,
93.053

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs (Effort Reporting)

Criteria

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation...Personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after the fact distribution of the actual activity of each employee; (b) They must account for the total activity for which each employee is compensated; (c) They must be prepared at least monthly and must coincide with one or more pay periods, and (d) They must be signed by the employee (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances (OMB Circular A-87, Attachment B.8.h.5).

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods...must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results...
- The entire time period being sampled
- The results must be statistically valid and applied to the period being sampled.

(OMB Circular A-87, Attachment B.8.h.6)

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Condition

Employees who are 100% charged to the Aging Cluster complete semi-annual certifications in accordance with OMB Circular A-87. Employees work on multiple cost objectives, however, while tracking of effort is performed for employees in the Client Services Unit, DSS of Services for the Aging and Adults with Physical Disabilities (DSAAPD) has not yet developed a system to accurately allocate costs based on actual effort.

Cause

A system to appropriately allocate salary costs based on effort is in process.

Effect

Salaries may be inappropriately allocated to the Aging Cluster.

Recommendation

We recommend that the DSAAPD continue development of procedures to allocate salaries based on time studies performed in accordance with its Summary Status of Prior Year Findings.

Questioned Costs

Questioned costs are \$1,220,649. This amount was calculated based on the total salaries \$894,279 and fringe costs \$376,345 allocated to the program for individuals subject to time studies less the annual salaries of employees and related benefits (calculated at 42%) who are 100 percent charged to the grant and completed semi-annual certifications as required by OMB Circular A-87, Attachment B.8.h.3 of \$49,975.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Aging and Adults with Physical Disabilities

Reference Number: 05-AGI-02

**Program: 93.044, Aging Cluster
93.045,
93.053**

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Subrecipient Monitoring

Criteria

A pass-through entity is responsible for monitoring subrecipients' use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. (OMB Circular A-133 Compliance Supplement, Part 3, section M)

A pass-through entity is responsible for (1) Ensuring that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133...and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

Condition

For the year ended June 30, 2005, \$3,155,175 was expended under subcontracts for the Aging Cluster. Total expenditures for the program were \$4,679,108.

DSS performs subrecipient monitoring activities throughout the year, including site visits and project monitoring, which are designed to detect material noncompliance and internal control deficiencies related to the Aging Cluster.

DSS routinely requests audit reports as part of its annual contract renewal process. DSS's "Checklist for Completing Contract Renewals" includes a line for recording the year of the most recent audit report, the date of the audit, and the initials of the individual who reviewed the report. However, DSS does not:

- maintain copies of the OMB Circular A-133 audit reports received from subrecipients
- maintain documentation concerning the consideration of findings identified in the report and their impact on further monitoring efforts and contract renewal

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- have a procedure in place for verifying whether or not a subrecipient is required to meet the audit requirements of OMB Circular A-133 (receives more than \$500,000 in federal awards during the subrecipient's fiscal year).

Cause

DSS generally reviews audit reports submitted and returns them to the subgrantee along with the rest of the contract renewal package.

Effect

DSS does not have documentation to support its effective monitoring of subrecipient audit reports.

Recommendation

We recommend that DSS:

- Retain all OMB Circular A-133 audit reports received
- Obtain confirmation from subrecipients that do not submit an OMB Circular A-133 audit report that they were not required to do so because they did not meet the expenditure threshold or for some other reason
- Document its consideration of any findings contained in the OMB Circular A-133 audit reports including the impact of any noncompliance or internal control weaknesses on the contract renewal process and future monitoring efforts.

Questioned Costs

Questioned costs that may have been determined through the Single Audit monitoring process are not determinable. Other subrecipient monitoring activities were performed by the agency.

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2005

Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 05-CSE-01

Program: 93.563 Child Support Enforcement

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Special Tests and Provisions (Paternity and Support Obligations)

Criteria

Federal regulations require that the agency responsible for child support enforcement (IV-D agency) attempt to establish paternity and a support obligation for children born out of wedlock. The IV-D agency must establish a support obligation where paternity is not an issue by providing services within specified time frames to ensure that these services are carried out (CFR § 303.3(b)(3)).

Condition

In the prior year, we recommended that the Division of Child Support Enforcement (DCSE) establish appropriate steps to review worklists generated by the Delaware Automated Child Support Enforcement System (DACSES) computer system to determine cases requiring action in order to provide adequate lead time for employees to complete actions necessary to comply with time requirements. We further recommended that the Division replace DACSES with a computer system that could better facilitate establishment of paternity and support obligations.

DCSE continues to work toward implementation of these recommendations. However, per DCSE's Summary Status of Prior Year Findings, recommendations were only partially implemented as of June 30, 2005.

Effect

If action is not taken within the required time frames, paternity is not established, when applicable, and support obligations therefore cannot be established.

Recommendation

We recommend that DCSE continue with its corrective action plan including the following initiatives:

- Worklist management initiative
- Redistribution of caseloads
- New DACSES system

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 05-CSE-02

Program: 93.563 Child Support Enforcement

Type of Finding: Qualification (Scope Limitation), Material Weakness

Compliance Requirement: Special Tests and Provisions (Medical Support Obligations)

Criteria

Federal regulations require that the IV-D agency attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for DCSE services. The IV-D agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid. If not, the agency must petition the court to include medical support in the form of health insurance coverage in all new or modified orders for support. In cases where medical support is ordered, the agency is required to verify that it was obtained or enforce the court order if it was not obtained. Finally, the agency shall inform the Medicaid agency when a new or modified order for child support includes medical support and shall provide information to the custodial parent concerning the health insurance policy secured under any order. (45 CFR § 303.31)

Condition

In the prior year, we recommended that DCSE enhance the DACSES computer system to include documentation regarding:

- Documentation of health insurance coverage obtained by the custodial parent
- Confirmation of health insurance available (or unavailable) at a reasonable cost by the non-custodial parent
- Additional enforcement action taken to obtain available reasonable-cost health insurance

We further recommended that DCSE replace its outdated DACSES system with a computer system that could better facilitate the establishment of medical support obligations.

Although DCSE is in the process of implementing its corrective action plan, for the year ended June 30, 2005, we were unable to test compliance with this requirement as appropriate documentation of establishment of medical support obligations was not maintained.

Effect

DCSE cannot ensure it is in compliance with the medical support obligation requirements.

Recommendation

We recommend that DSCE continue to implement its corrective action plan which includes:

- Division of Child Support Enforcement/Division of Social Services interface
- New post-court DACSES screen
- New DACSES system

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Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

See corrective action plan.

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Year ended June 30, 2005

Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 05-CSE-03

Program: 93.563 Child Support Enforcement

Type of Finding: Noncompliance

Compliance Requirement: Allowable Costs

Criteria

Legal expenses required in the administration of federal programs are allowable. Legal expenses for prosecution of claims against the federal government are unallowable (OMB Circular A-87, Attachment B.10.b).

Condition

One out of forty-five expenditures sampled for allowable costs testwork related to legal fees for a multi-state action against the federal government relating to the Child Support Enforcement program. The amount of the expenditure was \$9,900. The total amount of the forty-five sampled transactions was \$3,436,390. Total costs for the program were \$14,967,008.

Cause

Because the fees were related to the Child Support Enforcement program, they were allocated to federal Child Support Enforcement funds.

Effect

Unallowable costs were charged to the program.

Recommendation

We recommend that DCSE reclassify the legal fees as a State expenditure.

Questioned Costs

Known questioned costs of \$9,900 related to the invoice noted above.

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2005

Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 05-CSE-04

Program: 93.563 Child Support Enforcement

Type of Finding: Noncompliance

Compliance Requirement: Matching, Level of Effort and Earmarking

Criteria

For program costs other than laboratory costs related to determining paternity, the Federal share of program costs, including those related to the planning, design, development, installation and enhancement of the statewide computerized support enforcement system is 66 percent (42 USC 655(a)(2)(C); 45 CFR sections 304.20(c) and 304.30).

The federal share of laboratory costs for determining paternity is 90% (42 USC 655(a)(1)(C); 45 CFR sections 304.20(d) and 304.30).

Condition

DCSE generally ensures its matching requirement is met on an individual transaction level. Four out of forty-five expenditures sampled for matching testwork included amounts that were 100% allocated to federal funds. The amount overcharged was \$22,199. The total amount of the forty-five sampled transactions was \$3,436,390. Total costs for the program were \$14,967,008.

Cause

An error in coding postage charges from the data center resulted in postage charges being charged 100% to the program rather than 66%.

Effect

The federal government was overcharged for these two invoices.

Recommendation

We recommend that DCSE reclassify the State portion of these invoices into State appropriations.

Questioned Costs

Known questioned costs of \$22,199 related to the expenditures noted above.

Views of Responsible Officials

See corrective action plan.

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Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 05-CSE-05

Program: 93.563 Child Support Enforcement

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Special Tests and Provisions (Interstate Cases)

Criteria

Federal regulations require that the Interstate central registry is responsible for receiving, distributing, and responding to inquiries on all incoming interstate Title IV-D cases. The central registry must:

- Review documentation of new cases received from other states to determine completeness of necessary information.
- Forward the case for the necessary action, as necessary.
- Acknowledge receipt of the case and ensure that any missing documentation has been requested from the initiating state.
- Inform the IV-D agency in the initiating state where the case was sent for action.

(45 CFR § 303.7[a][2])

Additionally, the interstate central registry is responsible for responding to inquiries on all incoming interstate IV-D cases. The central registry must respond to inquiries from other states within five working days of receipt of the request for a case status review. (45 CFR § 303.7[a][4])

Condition

DACSES has been programmed to electronically acknowledge and track automated inquiries received from other state IV-D agencies that are received via CSENet. These inquiries are then handled similarly to other cases managed through the DACSES system.

However, DCSE continues to receive non-automated inquiries via US mail that require manual processing.

In the prior year, we recommended that DCSE develop control procedures to ensure that it takes appropriate action regarding incoming interstate cases received via US mail in accordance with federal regulations. DCSE's summary status of prior year findings indicated that a central registry post office box and central registry unit were established as of March 2005. Although we were able to validate that a central registry post office box and a central registry unit have been established, we were unable to audit DCSE's compliance with regulations concerning incoming interstate case inquiries received via US mail because we were unable to obtain a complete population of incoming case information and case review requests.

Additionally, although logs are maintained to record and track processing of relevant correspondence, the underlying correspondence is not maintained centrally so that the timeliness of processing can be ascertained.

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Cause

The central registry post office box and central registry unit were newly established as of March 2005. Policies and procedures continue to evolve.

Effect

The requirements concerning incoming interstate cases received via U.S. mail cannot be tested due to a lack of a complete population of incoming case information and case review requests.

Recommendation

We recommend that DCSE continue to develop its tracking procedures to maintain a complete listing of all incoming interstate case information and case review requests received via U.S. mail, and maintain the underlying documents centrally so that timeliness of the processing of such information can be ascertained.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Management Services

Reference Number: 05-DMS-01

Program: 93.767 State Children's Health Improvement Program

**93.775, Medical Assistance Cluster
93.777,
93.778**

**10.551, Food Stamp Cluster
10.561**

93.558 Temporary Assistance for Needy Families

93.596 Child Care Cluster

Type of Finding: Reportable Condition

Compliance Requirement: Eligibility

Criteria

The Federal Information System Controls Audit Manual (FISCAM) describes the computer-related controls that auditors should consider when assessing the integrity, confidentiality, and availability of computerized data. [Section 1.1, FISCAM]

There are six major categories of general controls...These are:

- entitywide security program planning and management that provides a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of the entity's computer-related controls;
- access controls that limit or detect access to computer resources (data, programs, equipment, and facilities), thereby protecting these resources against unauthorized modification, loss, and disclosure;
- application software development and change controls that prevent unauthorized programs or modifications to an existing program from being implemented;
- system software controls that limit and monitor access to the powerful programs and sensitive files that (1) control the computer hardware and (2) secure applications supported by the system;
- segregation of duties that are policies, procedures, and an organizational structure established so that one individual cannot control key aspects of computer-related operations and thereby conduct unauthorized actions or gain unauthorized access to assets or records;
- service continuity controls to ensure that when unexpected events occur, critical operations continue without interruption or are promptly resumed and critical and sensitive data are protected [Section 3.0, FISCAM].

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Section 3: Federal Award Findings and Questioned Costs

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Application controls are generally designed to prevent, detect, and correct errors and irregularities as transactions flow through the financial information systems. The objectives of these controls are specific to the applications they support. However, they generally involve ensuring that:

- data prepared for entry are complete, valid, and reliable;
- data are converted to an automated form and entered into the application accurately, completely, and on time;
- data are processed by the application completely and on time, and in accordance with established requirements; and
- output is protected from unauthorized modification or damage and distributed in accordance with prescribed policies [Section 1.2, FISCAM].

Condition

The DCIS II system assists with eligibility determination for the Medicaid, TANF, Food Stamps, and SCHIP programs, and the CCMIS system assists with eligibility determination for the Child Care cluster.

An agreed-upon procedures engagement was conducted for the Office of the Auditor of Accounts which had the following objectives:

- Gain an understanding of the input data editing and completeness controls for the DCIS II and CCMIS Systems.
- Determine the adequacy of the system access security controls.
- Determine the adequacy of the program change controls.
- Determine the adequacy of the physical security controls.

Findings and recommendations were identified relating to the following areas as follows:

- **Programmer Access.** Two of the ten tested user IDs assigned to programmers have been assigned update transaction access to the production DCIS II System. Security Best Practices recommend that programmers do not have Update access to a Production system.

Recommendation

The report recommend that a full review be performed of the access granted to all 59 programmers to the Production DCIS II System and in those cases where the access is defined as update to any of the subsystems that it be changed to Inquiry. In addition, the report recommended that if a situation arises whereby a programmer needs to have Update access to the Production DCIS II System, procedures are developed to ensure that this access is only given in an emergency, be properly approved in writing by management, and be granted only for a short period of time.

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Year ended June 30, 2005

- **User Access.** The testing of 50 users defined with access to the DCIS II System out of approximately 1,500 users, all 28 users with only access to the CCMIS System, and all 15 users with DB2 Inquiry access (total of 93 users) disclosed the following:
 - Of the 50 DCIS II System user IDs tested, six users terminated their employment with the State (two of the users actually terminated their employment in 1999). In addition, for another seven of the user IDs, it could not be determined if they currently work for the State since a record could not be found on the State's Personnel System for them.
 - Of the 28 CCMIS System user IDs tested, two users terminated their employment with the State. In addition, for five user IDs, it could not be determined if they currently work for the State since a record for them could not be found on the Personnel System.
 - Of the 15 DB2 Inquiry users tested, two users terminated their employment with the State (one of the users actually terminated her employment in 1999).

In addition, testing noted several instances where a user terminated his/her employment with the State and their user ID was not deleted from having access to the Production DCIS II System and subsequently the user was re-hired by the State and issued a second user ID.

Failure to delete a user's ID on a timely basis when an employee terminates his/her employment allows for the possibility that the user's ID could be used by another user, if the terminated employee made known his/her password. This could result in unauthorized access being gained to the Production DCIS II System, the CCMIS System, and the DB2 Inquiry Region without any user accountability.

Recommendation

The report recommended that the procedures for deleting user IDs from the DCIS II System and the CCMIS System at the time that an employee terminates their employment be enforced by the various State offices by performing thorough reviews of the monthly list of users that is sent to them by the IRM Department. In addition, since this is not being currently done, we recommend that the Department of Social Services, which is responsible for the DCIS II and CCMIS Systems, request the IRM Department to provide it with a list each month of the users defined with access to the DB2 Inquiry Region and that DSS management review this list to determine whether all of the users on the list still require the access to the DB2 Region.

- **User Authorization Forms and Non-Disclosure Agreements.** Of the selected sample of the 50 user IDs assigned with access to the Production DCIS II System, all 15 users with DB2 Inquiry Region access, and all CCMIS System users (total of 93 users), testing disclosed that Biggs Data Center User Authorization and Non-Disclosure Forms could only be found for 85 of the 93 users.

In addition, testing of the 85 User Authorization Forms that are on file noted that 10 of the forms did not have the signature of a Security Administrator approving the user access; 11 of the forms did not explicitly indicate whether DCIS II System, DB2 Inquiry Region, or CCMIS System access should be assigned to the user; and 5 of the forms did not indicate the level of access to be granted to the user (i.e., Inquiry or Update).

Security Best Practices recommend that all user access to a Production system be properly approved by a fully completed user authorization form.

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Year ended June 30, 2005

Recommendation

The report recommended that DSS management require that a completed Biggs Data Center User Authorization and Non-Disclosure Agreement be obtained before it sets up an employee or contractor with access to the DCIS II System, CCMIS System and the DB2 Inquiry Region. In the case of regional offices, copies of the forms should be faxed to the DSS Department before the access is granted and these copies be kept on file.

- **Acceptable Use Policy Signed Agreements.** Of the sample of 93 users, the report noted that a signed Acceptable Use Policy Agreement form was not on file for 16 of the users.

State of Delaware procedures require that all users sign an Acceptable Use Policy Agreement thereby agreeing to abide by the established procedures for accessing any State computerized system.

Recommendation

The report recommended that, as part of the procedures for granting a user access to the DCIS II System, CCMIS System and the DB2 Inquiry Region, management should obtain a signed Acceptable Use Policy Agreement form before the employee or contractor is granted access to the systems.

- **Access to the ChangeMan System.** The report noted that the Department of Technology and Information (DTI) users have full access to the ChangeMan System, which could result in them moving a program into the Production environment. Security Best Practices for program change control recommend that updates to the Production program libraries only be done by those users specifically authorized to perform this task.

Recommendation

The report recommended that the access granted to the DTI users to the various levels within the ChangeMan System be changed to be no more than Inquiry unless the access is required to perform a specific function. At the minimum, the access for the DTI users to the Approver level should be reduced to Inquiry.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

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Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-01

Program: 93.917 HIV Formula Grant Program

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Matching, Level of Effort, and Earmarking (Level of Effort)

Criteria

The State will maintain HIV-related activities at a level that is equal to not less than the level of such expenditures by the State for the 1-year period preceding the fiscal year for which the State is applying for Title II funds (42 USC 300ff-27(b)(6)(E)).

Condition

The HIV Formula Grant program has not maintained its overall level of HIV-related expenditures. For 2002 and 2003 (the two most recently completed fiscal years at the time of the application for 2005 funds), the HIV Formula Grant Program estimated that it had expended from all sources \$8,928,680 and \$8,541,300 respectively.

HIV federal formula grant funds expended were \$4,789,621 in State fiscal year 2004 and \$4,142,715 in State fiscal year 2005.

Cause

The sources of information used to determine maintenance of effort Statewide are located across several different State agencies and in some cases amounts used must be estimated because HIV-related expenditures are not separately tracked.

Effect

The HIV Formula Grant Program does not appear to be in compliance with level of effort requirements.

Recommendation

We recommend that the HIV Formula Grant Program, in conjunction with the Department of Health and Social Services, Division of Management Services, work with other HIV service- providing agencies throughout the State to obtain accurate expenditure information.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

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Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-02

Program: 10.557 Supplemental Nutrition Program for Women, Infants and Children

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Condition

We selected all employees paid in the paycycles ended August 7, 2004 and March 5, 2005 (most were paid in both pay periods). There were 59 employees represented for a total of \$117,134 in direct payroll costs. Total payroll costs for the year ended June 30, 2005 were \$1,431,832 in salaries and \$571,284 in related fringe benefits. Total expenditures for the program for the year ended June 30, 2005 were \$15,600,248.

We noted that 18 employees for the March 5 paycycle and 9 employees for the August 7 paycycle had appropriately completed effort reports. Salaries related to these effort reports were \$34,115. All other employees in the sample had not completed effort reports.

Cause

The Supplemental Nutrition Program for Women, Infants and Children (WIC Program) has a policy of including a certification statement requiring employee initial on its Employee Annual Leave Report that is completed quarterly that states "I certify that 100% of the attached time audit was spent on WIC activities (If you disagree contact your supervisor." Due to turnover in program personnel and inconsistencies in record retention, not all WIC employees received leave reports with the required certification on them. Additionally, not all leave reports were available for audit because in some instances they had not been retained.

Effect

The WIC Program is not in compliance with effort reporting requirements.

Recommendation

We recommend that the WIC Program ensure that the appropriate certifications are completed by all employees and retained consistent with audit-related record retention policies.

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Questioned Costs

Known questioned costs are the salaries for the periods reviewed for which effort reports were not appropriately completed of \$83,019 plus fringe benefits calculated at 40% (total fringe benefits of \$571,284 divided by total salaries of \$1,431,832) totaling \$33,207 for a total questioned cost of \$116,226.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-03

Program: 10.557 Supplemental Nutrition Program for Women, Infants and Children

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Special Tests and Provisions: Review for Questionable Food Instruments

Criteria

A State agency operating a retail food delivery system must take the following actions to ensure that payments of WIC food funds to vendors conform to program regulations and the State agency's vendor agreement:

a. *FI Review Process* - The State agency must have in place a process for reviewing all, or a representative sample of, FIs submitted by vendors for redemption. The review is done on an aggregate basis rather than on a vendor basis. Because of the wide disparity in the number of FIs processed by State agencies, there are no criteria for determining what constitutes a representative sample, other than that it must be a representative sample of FIs submitted. At a minimum, this process must be able to detect:

- (1) Redeemed monetary amounts that exceed the maximum monetary purchase amounts established by the State agency for each type of FI.
- (2) Other errors, including purchase price missing; participant, parent/caretaker, or proxy signature missing; vendor identification missing; FIs transacted or redeemed after the specified time period; and altered purchase price (for printed food instruments).
- (3) Questionable FIs which, while they may not clearly contain errors, nevertheless require follow-up to determine if an error has occurred.

b. *Follow-up on Erroneous or Questionable FIs* - The State agency must follow up on FIs containing errors and other questionable FIs detected through this process within 120 days following detection. Regulations at 7 CFR sections 246.12(k)(2) through (k)(5) describe appropriate follow-up actions (7 CFR section 246.12(k)).

Condition

The WIC Program has procedures in place to review all FIs for redeemed monetary amounts that exceed the maximum monetary purchase amounts and FIs transacted or redeemed after the specified time period. Additionally, the Program has procedures in place to follow up on FIs specifically flagged for further review by vendors or the bank which processes FIs. However, the WIC Program does not review all, or a representative sample of, printed food instruments to specifically address whether they have been physically altered.

Cause

The WIC Program has not yet implemented policies and procedures to address the requirement related to physical review of a representative sample of printed FIs. Printed FIs may be reviewed for a number of reasons, including flagging by a vendor or the bank processing the transactions, however the FIs reviewed do not constitute a representative sample.

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Effect

The WIC Program may not detect printed food instruments that have been physically altered.

93.596 Child Care Cluster

We recommend that the WIC Program develop policies and procedures to address physical review of a representative sample of printed FIs to supplement its computerized reviews of FI data.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-04

Program: 10.557 Supplemental Nutrition Program for Women, Infants and Children

Type of Finding: Reportable Condition

Compliance Requirement: Eligibility

Criteria

[The Federal Information System Controls Audit Manual (FISCAM)] describes the computer-related controls that auditors should consider when assessing the integrity, confidentiality, and availability of computerized data. [Section 1.1, FISCAM].

There are six major categories of general controls...These are

- entitywide security program planning and management that provides a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of the entity's computer-related controls;
- access controls that limit or detect access to computer resources (data, programs, equipment, and facilities), thereby protecting these resources against unauthorized modification, loss, and disclosure;
- application software development and change controls that prevent unauthorized programs or modifications to an existing program from being implemented;
- system software controls that limit and monitor access to the powerful programs and sensitive files that (1) control the computer hardware and (2) secure applications supported by the system;
- segregation of duties that are policies, procedures, and an organizational structure established so that one individual cannot control key aspects of computer-related operations and thereby conduct unauthorized actions or gain unauthorized access to assets or records;
- service continuity controls to ensure that when unexpected events occur, critical operations continue without interruption or are promptly resumed and critical and sensitive data are protected [Section 3.0, FISCAM].

[Application] controls are generally designed to prevent, detect, and correct errors and irregularities as transactions flow through the financial information systems. The objectives of these controls are specific to the applications they support. However, they generally involve ensuring that:

- data prepared for entry are complete, valid, and reliable;
- data are converted to an automated form and entered into the application accurately, completely, and on time;
- data are processed by the application completely and on time, and in accordance with established requirements; and
- output is protected from unauthorized modification or damage and distributed in accordance with prescribed policies [Section 1.2, FISCAM].

Condition

The WIC system assists with eligibility determination for the WIC Program.

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An agreed-upon procedures engagement was conducted for the Auditor of Accounts office disclosed the following findings and recommendations related to the WIC system:

- **User Access.** The report noted that user ID, HPHIRMO, is defined with update access to the Production WIC System, but it is not assigned to any specific individual and instead is used by the Information Resource Management (IRM) department's programming staff that supports the WIC system. In addition, the report noted that this user ID has been granted with full "God Powers", which allows it to change specific types of system data over and above what the update access provides (e.g., change vendor information).

Recommendation

The report recommended that the HPHIRMO user ID be assigned to a specific individual in order to provide for user accountability for any access made to the WIC system. We also recommend that the Update access and full "God Powers" be removed from this user ID and replaced by Inquiry Only access so that the proper separation of duties control is maintained for data updates made to the production WIC system.

- **Terminated User Access.** The report disclosed that, of the 25 users tested, one employee who has not worked for the WIC Program in some time still has access to the production WIC system. In addition, the report indicated that of the 15 users with access to the DB2 Inquiry Region, which is needed in order to run query programs against the WIC system's database, noted one other employee defined with access that also terminated her employment with the WIC program some time ago.

Recommendation

The report recommended that the WIC Program request the IRM Department provide it with a list each month of the users defined with access to the DB2 Inquiry Region and that WIC Program management review this list to determine whether all of the users on the list still require the access. For the user access to the production WIC system, we recommend that the WIC Program promptly remove any user when he/she terminates employment with the WIC Program or no longer requires access to the production WIC system.

- **User Authorization Forms.** The report indicated that for three of the nine users defined with access to the DB2 inquiry region User Authorization Forms were not on file. Therefore, there is a possibility that these users were never authorized for access to the DB2 inquiry region.

In addition, the testing of the User Authorization Forms noted that, over the years since 1992, the User Authorization Form has undergone a number of revisions and that many of the users currently defined with access to the production WIC system or the DB2 inquiry region are not explicitly authorized for the access they have as it is not noted on their User Authorization Form.

Recommendation

The report recommend that, as part of the WIC Program performing the new monthly review of the users with access to the DB2 Inquiry Region, WIC Program management determine whether a User Authorization Form is on file for all of the users.

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In addition, the report recommended that WIC Program management perform a review of all of the users defined with access to the production WIC system and the DB2 Inquiry Region and, where necessary, note the approved access on any of the User Authorization Forms that do not indicate the specific level of system access that a user currently has and place their initials next to the access. This will provide a clear indication that the users' access is approved.

Recommendation

We recommend that the WIC Program implement the recommendations as detailed above.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

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Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-05

Program: 93.283 Centers for Disease Control and Prevention, Investigations and Technology Grants

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation...Personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after the fact distribution of the actual activity of each employee; (b) They must account for the total activity for which each employee is compensated; (c) They must be prepared at least monthly and must coincide with one or more pay periods, and (d) They must be signed by the employee (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances (OMB Circular A-87, Attachment B.8.h.5).

Condition

The CDC Grant program (CFDA number 93.283) is comprised of many different grants, each of which has unique compliance requirements.

Because CDC Grant employees are generally funded 100% with Federal funds, in the prior year we recommended that the CDC Grant program begin requiring employees to certify that they worked 100% on CDC Grant program activities, at least semi-annually. Total salaries and fringe benefit costs charged to the CDC Grant program for the year ended June 30, 2005 were \$2,361,815. Total expenditures for the year ended June 30, 2005 were \$10,296,153.

We selected the following federal grants within the CDC Grant program for testwork:

- Cancer screening and prevention

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- Bioterrorism
- Public health surveillance

The public health surveillance grant was not used to fund salary costs.

The Screening for Life section, which is responsible for cancer screening and prevention grants, did not implement our prior year recommendations in the current year.

The Division of Public Health Preparedness Section, which is responsible for the bioterrorism portion of the CDC Grant program, implemented a semi-annual certification process in the current year. The certification statement reads as follows:

“In accordance with the requirements described above and as set forth in OMB Circular A-87, Attachment B...I certify that during the period _____ to _____, I attest that each of the following employees that I directly supervise devoted all of their 37.5 hour work week to activities and duties directly relating to the State of Delaware’s Public Health Preparedness Program. If the employee commenced and/or ended employment during the six-month certification period, a starting and/or ending date of employment is indicated.”

However, the State of Delaware’s Public Health Preparedness Program consists of multiple federal and state funding streams which require separate cost tracking and reporting and therefore is not specific enough to meet the requirements of OMB Circular A-87, Attachment B.8.h.3.

Cause

The CDC Grant program management believed that certification at the Public Health Preparedness Program level was in sufficient detail to meet the requirements of OMB Circular A-87.

The management of Screening for Life is in the process of addressing prior year recommendations.

Effect

Effort reporting did not meet federal requirements.

Recommendation

We recommend that the semi-annual certifications be revised to further classify employees as to single federal award or cost objective within the State of Delaware Public Health Preparedness Program.

We further recommend that, if it is determined that an employee cannot be classified within a single federal award or cost objective, that personnel activity reports be prepared consistent with OMB Circular A-87, Attachment B.8.h.4 and 8.h.5).

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Questioned Costs

Total salary and fringe benefit costs subject to audit associated with the following awards for the year ended June 30, 2005:

Program Name	Federal Award Numbers	Salary and Fringe Benefit Costs
Cancer Screening and Prevention (Screening for Life Program)	U55/CCU321881-04	\$ 505,801
Preparedness and Response for Bioterrorism	U90/CCU316980-04 U90/CCU316980-05 U90/CCU316980-06	(in total) \$1,239,584
TOTAL		\$1,745,385

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-06

Program: 93.283 Centers for Disease Control and Prevention, Investigations and Technology Grants

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs

Matching, Level of Effort and Earmarking

Period of Availability

Reporting

Background

The National Breast and Cervical Cancer Early Detection Program (NBCCEDP) is one of the grants under the umbrella of CFDA number 93.283. In Delaware, this program is part of the Screening for Life (SFL) program. The SFL program pays for cancer screening for otherwise uninsured or underinsured individuals.

Criteria

The Secretary of Health and Human Services, acting through the Director of the Centers for Disease Control and Prevention, may make grants to States on the basis of an established competitive review process for the purpose of carrying out programs to:

- (1) screen women for breast and cervical cancers as a preventive health measure;
- (2) provide appropriate referrals for medical treatment of women screened pursuant to paragraph (1) and to ensure, to the extent practicable, the provision of appropriate follow-up services and support services such as case management;
- (3) develop and disseminate public information and education programs for the detection and control of breast and cervical cancers;
- (4) improve the education, training, and skills of health professionals (including allied health professionals) in the detection and control of breast and cervical cancers;
- (5) establish mechanisms through which the States can monitor the quality of screening procedures for breast and cervical cancers, including the interpretation of such procedures; and
- (6) evaluate activities conducted under paragraphs (1) through (5) through appropriate surveillance or program-monitoring activities

(42 USC § 300k.)

The Minimum Data Elements (MDE's) are a set of standardized data elements developed to ensure that consistent and complete information on screening location, patient demographic characteristics, screening results, diagnostic procedures, tracking and follow-up, and treatment information are collected on women screened and/or diagnosed with NBCCEDP funds. These are the data items that are minimally necessary for NBCCEDP-sponsored Programs and the CDC to monitor clinical outcomes (NBCCEDP Policies and Procedures Manual, III-1).

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Public Law 101-354 requires:

- a non-federal share match of \$1 for every \$3 of federal support for NBCCEDP. In making a determination of the amount of non-federal contributions for this purpose, only non-Federal contributions in excess of the average amount of non-Federal contributions made by the State in the 2-year period preceding the first fiscal year for which the State is applying will be included (42 USC § 300I)
- a limit on administrative costs of no more than 10% of costs (42 USC § 300n(f))

Additionally, per cooperative agreement U55/CCU321881, carryforward of funds from one budget period to the next must be requested by the State, and an annual SF-269 report is due at the conclusion of each budget period.

Condition

We noted that, in order to ensure provider claims are accurately paid, significant manual manipulation of the Screening for Life (SFL) database is required, including:

- Reviewing the data for duplicate claims and suppressing payment on duplicates as appropriate
- Reviewing and changing as appropriate State appropriation codes and fiscal years
- Reviewing suspended items for propriety and changing status as appropriate
- Reviewing claims denied for propriety and changing status as appropriate

We also noted that:

- There is no up-to-date system documentation including support of changes that have been made to the system since inception, which may result in difficulties in updating the SFL system for programmatic changes.
- The system is based on Access 97, which is an application that is no longer supported by Microsoft. This may result in difficulties in updating the SFL system for programmatic changes.
- Test and production databases are on the same server, which may result in data being erroneously changed.
- The system does not include all MDE's mandated by the grantor, which may result in difficulty providing adequate screening data to the grantor agency.
- Physical and logical security surrounding the SFL system contain weaknesses, such as the ability of users to potentially by-pass the data entry screens and manipulate underlying data, that may result in data being changed without the knowledge of program personnel.

Total claims paid for the year ended June 30, 2005 were \$613,894. This amount impacts other financially-related compliance requirements, including matching, maintenance of effort, period of availability, and financial reporting. Total expenditures for CFDA number 93.283 were \$10,926,153.

Cause

The Screening for Life (SFL) Program experienced significant turnover in key personnel from 2002-2004. The maintenance of the SFL application was not a priority during this time.

We recommended in the prior year that the SFL Program implement a secure application that accurately and appropriately processes SFL claims data in accordance with program regulations. Per the Summary Status of Prior Year Findings, corrective action is in process and has not yet been completed.

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Effect

Inability of SFL personnel to effectively and efficiently process SFL claims and related financial information.

Recommendation

We recommend that the SFL Program continue to implement its corrective action plan, which includes a proposal to enhance the Department of Health and Social Services (DHSS) Medicaid Management Information System (MMIS) to include Screening for Life cancer screening program.

Questioned Costs

Total cancer screening claims paid under the NBCCEDP for State fiscal year 2005 of \$613,894.

Views of Responsible Officials

See corrective action plan.

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Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-07

Program: 93.283 Centers for Disease Control and Prevention, Investigations and Technology Grants

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs

Background

National Breast and Cervical Cancer Early Detection Program (NBCCEDP) is one of the grants under the umbrella of CFDA number 93.283. In Delaware, this program is part of the Screening for Life (SFL) program. The SFL program pays for cancer screening for otherwise uninsured or underinsured individuals.

Criteria

The Secretary [of Health and Human Services], acting through the Director of the Centers for Disease Control and Prevention, may make grants to States on the basis of an established competitive review process for the purpose of carrying out programs to:

- (1) screen women for breast and cervical cancers as a preventive health measure;
- (2) provide appropriate referrals for medical treatment of women screened pursuant to paragraph (1) and to ensure, to the extent practicable, the provision of appropriate follow-up services and support services such as case management;
- (3) develop and disseminate public information and education programs for the detection and control of breast and cervical cancers;
- (4) improve the education, training, and skills of health professionals (including allied health professionals) in the detection and control of breast and cervical cancers;
- (5) establish mechanisms through which the States can monitor the quality of screening procedures for breast and cervical cancers, including the interpretation of such procedures; and
- (6) evaluate activities conducted under paragraphs (1) through (5) through appropriate surveillance or program-monitoring activities

(42 USC § 300k.)

The Minimum Data Elements (MDE's) are a set of standardized data elements developed to ensure that consistent and complete information on screening location, patient demographic characteristics, screening results, diagnostic procedures, tracking and follow-up, and treatment information are collected on women screened and/or diagnosed with National Breast and Cervical Cancer Early Detection Program (NBCCEDP) funds. These are the data items that are minimally necessary for NBCCEDP-sponsored Programs and the CDC to monitor clinical outcomes (NBCCEDP Policies and Procedures Manual, III-1).

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Schedule of Findings and Questioned Costs

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Condition

For the State's Screening for Life program, data items related to the monitoring of clinical outcomes are collected on paper-based screening forms before entry into the SFL computer system. Submission of such forms is required in order for a claim to be paid; however we noted in the prior year that claims were being paid without appropriate forms in some instances.

In the prior year, we also noted that the SFL program was paying a tracking fee of up to \$20 per claim even when forms were not appropriately completed by providers. We noted that the program intended to offer the tracking fee as an incentive for providers to complete screening forms, but that the tracking fee was being paid regardless of the status of the forms.

As reported in the Summary Status of Prior Year Findings, the condition noted in fiscal year 2004 continued to exist in the period under audit.

Cause

The SFL Program experienced significant turnover in key personnel over from 2002-2004. This resulted in a backlog of claims to be processed and paid. Additionally, provider education concerning the necessary documentation was not effectively performed from 2002-2004 as a result of staff vacancies.

The SFL Program is in the process of implementing its corrective action plan as of June 30, 2005.

Effect

Data items that are minimally necessary for NBCCEDP-sponsored Programs and the CDC to monitor clinical outcomes are not being consistently collected. Collection of minimal data items in conjunction with cancer screening and prevention activities is necessary for the costs of such activities to be allowable.

Recommendation

We recommend that the SFL Program continue to implement its corrective action plan.

Questioned Costs

Tracking fee costs are included in total claims cost questioned in finding 05-DPH-06.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Reference Number: 05-DPH-08

Program: 93.283 Centers for Disease Control and Prevention, Investigations and Technology Grants

Type of Finding: Material Noncompliance, Material Weakness

**Compliance Requirement: Procurement, Suspension and Debarment
Equipment and Real Property Management
Davis Bacon Act**

Background

As part of the Preparedness and Response for Bioterrorism award under the CDC Grant (CFDA number 93.283 (federal award numbers U90/CCU316980-04, -05, and -06), a renovation of a laboratory for bioterrorism response purposes was completed. The cost related to the renovation for the year ended June 30, 2005 was \$1,036,462. The project was not completed until fiscal year 2006. This project was funded entirely with federal funds.

Criteria

Davis-Bacon Act

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

Equipment and Real Property Management

The State of Delaware fixed asset manual requires the following:

Although the Secretary of the Department of Administrative Services (DAS) (under the Office of Management and Budget as of July 1, 2005) is primarily responsible for the construction of new buildings as well as additions and renovations to existing buildings, any department that has construction projects must follow the same procedures as DAS. At the close of the fiscal year, the DAS will report Construction-Work-In-Progress (CWIP) balances in the State's annual GAAP Package...for inclusion in the State's financial statements. For complete projects, the department processing payments must enter the item onto the DFMS system and complete a transfer to the department that has control of the asset. In addition, the purchasing agency must remove the asset from the CWIP report. Adding the complete project to the Fixed Asset System must be done in the same fiscal year that the project is removed from the CWIP report. Changes to the original fixed asset value cannot be made after the original fixed asset document has processed. Any unpaid bills or retainage fees paid after the asset has been transferred from CWIP to one of the asset classes should be added to the fixed asset as a betterment. Documentation to support the land/buildings/improvements and construction-work-in progress will be maintained by the DAS (State of Delaware fixed asset manual, Section II.D).

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Procurement

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations (OMB Circular A-102).

Under applicable State law as implemented at the State of Delaware Department of Health and Social Services, for public works contracts greater than \$50,000, formal bidding is required and must be advertised. A formal contract is required for such work. Contracting authority for large contracts resides with the cabinet secretary and there is a standard DHSS contracting template including boilerplate language related to contracts to be paid out of federal funds (Title 29, Chapter 69 Delaware Code and DHSS implementing policy).

Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 (\$25,000 after November 26, 2003).

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (CFR, Part II, "Governmentwide Debarment and Suspension")

Condition

Although the contract for this project was competitively bid in accordance with State policy, the CDC Grant program executed a contract with the construction company that:

- was not in the DHSS standard format and was executed by an individual who did not have the authority to execute the contract in accordance with State and DHSS policy.
- did not include the standard suspension and debarment certification language, and did not check suspension and debarment against the federal suspension and debarment listing.

Additionally, the CDC grant program:

- did not require certified payrolls from the contractor and did not perform monitoring procedures related to the Davis-Bacon Act.
- did not record the construction in progress as an asset in accordance with the State's Fixed Asset Manual.

We did note, however, that:

- the contract was competitively bid in accordance with State policy
- the contractor was not suspended or debarred based on a review of the excluded parties list system
- the contractor was notified by the State of appropriate wage rates.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Cause

Federally funded construction projects are infrequent for most State agencies, including DHSS. There is ambiguity in State policy related to responsibility for contracting, fixed asset management, and Davis-Bacon Act monitoring for federally funded construction projects.

Under State law, State-funded construction projects follow a separate set of prevailing wage rate regulations. Under these regulations, contractors are not required to submit certified payrolls to the State of Delaware but must retain them on file for a period of three years. The State Department of Labor, Division of Labor Law Enforcement, is responsible for oversight of prevailing wage rates for State-funded construction projects, but does not have responsibility for federally funded projects. If projects are split-funded between federal and state funds, the higher prevailing wage rate between the two must be paid.

Additionally, although the Fixed Asset manual indicates that the Department of Administrative Services (part of the Office of Management and Budget as of July 1, 2005) is responsible for managing and recording construction in progress, this is not the case for federally funded projects. In this case, the Department of Administrative Services assisted with the competitive bidding process but not the contracting or ongoing monitoring of the project.

Effect

The contracting of the project was not in accordance with Departmental or Divisional policies and procedures.

Recommendation

We recommend that, because of the ambiguities in Statewide policies concerning federally funded projects, the Division of Public Health work in conjunction with the Department of Health and Social Services, Division of Management Services, to develop protocols for dealing with future federally funded projects.

Questioned Costs

Because the project was appropriately competitively bid, the contractor was not suspended or debarred, and the contractor was notified by the State of federal wage rates, there are no known questioned costs associated with this finding related to Procurement, Suspension and Debarment. However, questioned costs related to the Davis-Bacon Act are not determinable.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-09

Program: 93.283 Centers for Disease Control and Prevention, Investigations and Technology Grants

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs

Period of Availability

Background

The State of Delaware, through the Department of Administrative Services, has contracted with PNC bank to provide state agencies and school districts with a Visa card program for procurement and/or travel purchases. This program is known as the SuperCard program.

Payment for SuperCard transactions is made by the Division of Accounting and then billed to the spending agencies via an intergovernmental voucher (IV). The spending agency must code the IV to the appropriate appropriation codes so that charges are appropriately applied and the Division of Accounting is reimbursed.

Criteria

To be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- Be adequately documented.

Per the State's budget and accounting policy manual, Chapter 7.C.6(g)(2):

The authorized signatures for the IV must be on file with the Division of Accounting. The following approval signature requirements are in effect for the processing of IV documents:

- (a) Where Buying and Selling Agencies are the same, the approval signatures for Buyer and Seller may be the same, and is to be signed in the Buying Agency block.
- (b) Where Buying and Selling Agencies are different, the approval signatures must be different, unless:
 - The Buying and Selling Agencies are in the same Department, and
 - The Department/Division head has notified the Director of the Division of Accounting that one employee has authority to sign intra/inter-divisional IV's and under what circumstances.

Condition

For three out of 30 transactions selected for testwork, we noted that there was no evidence of approval of the transaction by the buying agency (the Division of Public Health, CDC grant program). All three transactions related to a single IV for SuperCard reimbursement for numerous SuperCard transactions to the Division of Accounting in the amount of \$16,708. The total dollar value of the 30 transactions was \$427,587.

STATE OF DELAWARE
Schedule of Findings and Questioned Costs
Section 3: Federal Award Findings and Questioned Costs
Year ended June 30, 2005

Total intergovernmental vouchers processed by the program for the year ended June 30, 2005 totaled \$599,754. Total expenditures for the program were \$10,922,203.

Cause

The SuperCard program is relatively new to the State and policies and procedures continue to evolve.

Effect

The Intergovernmental Voucher was not appropriately approved by the CDC Grant program in accordance with State and agency policy.

Recommendation

We recommend that the Division of Public Health implement policies and procedures to ensure that SuperCard reimbursement intergovernmental vouchers are appropriately approved in accordance with State and agency policy.

Questioned Costs

Questioned costs are \$16,708 related to the transaction noted above.

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-10

Program: 93.268 Immunization Grants

Type of Finding: Material Weakness, Material Noncompliance

Compliance Requirement: Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Condition

We selected all employees paid in the paycycles ended August 7, 2004 and March 5, 2005 (most were paid in both pay periods). There were 19 employees represented for a total of \$39,796 in direct payroll costs. Total payroll costs for the year ended June 30, 2005 were \$521,785 in salaries and \$250,511 in related fringe benefits.

We noted that no employees for the March 5 or August 7 paycycle had appropriately completed effort reports.

Cause

The Immunization Grants Program does not obtain the appropriate effort report certifications from personnel working on the Immunization Grants Program.

Effect

Salary charges to the Immunization Grants Program are not appropriately supported in accordance with OMB Circular A-87.

Recommendation

We recommend that the Immunization Grants Program ensure that the appropriate certifications are completed by all employees and retained consistent with audit-related record retention policies.

Questioned Costs

Known questioned costs are the salaries for the periods reviewed for which effort reports were not appropriately completed of \$39,796 plus fringe benefits calculated at 48 % (as calculated by dividing total fringe benefits of \$250,511 by the total salary costs of \$521,785) totaling \$19,106 for a total questioned cost of \$58,902

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-11

Program: 93.268 Immunization Grants

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Reporting

Criteria

An annual Financial Status Report (FSR) must be submitted within 90 days after the end of the budget period. This report must be submitted on...Standard Form No. 269, and include only those funds authorized and expended during the budget period (Notice of Cooperative Agreement; 45 CFR 92.41).

Condition

The annual FSR completed for award H23/CCH322567-02-4 for the year ending December 31, 2004, submitted August 22, 2005, included expenditures and unliquidated obligations through August 19, 2005 rather than through December 31, 2004.

Cause

The program attempted to provide the most up-to-date information to the Federal granting agency.

Effect

The FSR was not submitted within the appropriate time frame.

Recommendation

We recommend that the program's policies and procedures be amended to ensure that cut-off for financial reporting purposes is proper.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Social Services

Reference Number: 05-DSS-01

**Program: 93.775, Medical Assistance Cluster
93.777,
93.778**

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs (Overpayments to Providers)

Criteria

The State is required to credit the Medicaid program for overpayments made to providers of medical services within specified timeframes. In most cases, the State must refund provider overpayments to the Federal Government within 60 days of identification of the overpayment, regardless of whether the overpayment was collected from the provider (CFR sections 433.300 through 433.320 and 433.40).

Condition

We recommended in the prior year that DSS develop policies and procedures regarding the refund of provider overpayments collected via check to ensure that such amounts are appropriately refunded within 60 days of identification of the overpayment.

For 18 of the 30 Medicaid Credit Balance Reports selected, the State and its third-party claims servicer could not determine whether the overpayment was actually refunded to the Medicaid Program, although 15 out of the 18 overpayments were repaid by providers to the State via check within the 60 day timeframe. Amounts collected but not refunded for these 18 items were \$80,514, including both the State and Federal portion of the claims.

Cause

The State and its third-party claims servicer have not yet implemented the prior year recommendation concerning appropriate refunding of overpayments collected via check.

Effect

Provider overpayments collected by check were not appropriately refunded and reported on the CMS-64 financial reports.

Recommendation

We continue to recommend that DSS develop policies and procedure regarding the refund of provider overpayments collected via check to ensure that such amounts are appropriately refunded within 60 days of identification of the overpayment.

Questioned Costs

Questioned costs are \$40,358 (amounts collected but not refunded to the program in the exceptions above.) Such amounts should have been used to offset program costs.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

	Amount	Federal Participation Percentage	Questioned Costs
Overpayments Received 7/04-9/04	\$6,083	50%	\$3,041
Overpayments Received 10/04-6/05	\$74,071	50.38%	37,317
Total	\$80,154		\$40,358

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Social Services

Reference Number: 05-DSS-02

Program: 93.767 State Children's Health Improvement Program

Type of Finding: Noncompliance

Compliance Requirement: Eligibility

Criteria

Qualified aliens, as defined at 8 USC 1641, who entered the United States on or after August 22, 1996, are not eligible for a separate child health program under Title XXI (SCHIP) for a period of five years, beginning on the date the alien became a qualified alien, unless the alien is exempt from this five year bar under the terms of 8 USC 1613. States must provide coverage under a separate child health program under Title XXI to all other otherwise eligible qualified aliens who are not barred from coverage under 8 USC 1613 (42 CFR section 457.320(b)(6)).

Condition

We recommended in the prior year that DSS develop system edits for its eligibility determination system (DCIS II) to prevent alien eligibility errors.

Using computer-assisted audit techniques, we obtained a listing of all participants listed in DCIS II as eligible as of June 30, 2005 who were either qualified aliens who have not been in the United States at least five years or were legally residing non-qualified aliens.

We selected five of 40 potential qualified alien exceptions for further review, and noted one instance in which a case was opened in error for a child who has not been in the United States for at least five years.

Cause

Although DCIS screens and logic were updated to collect more accurate information from social worker staff related to clients' alien status, treatment of aliens under the program is complex and prone to error.

Effect

There is the potential for claims to be erroneously paid for ineligible children. In the instance above, there were no claims paid during the month that the child was incorrectly enrolled in the Delaware Healthy Children's Program, Delaware's SCHIP program.

Recommendation

We recommend that DSS review the remaining potential qualified alien exceptions to determine whether any claims were erroneously paid for ineligible participants, and if errors in programming logic are discovered as a result of this review to address such errors.

Questioned Costs

Questioned costs are not determinable.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Reference Number: 05-DSS-03

Program: 93.767 State Children's Health Improvement Program

Type of Finding: Noncompliance

Compliance Requirement: Eligibility

Criteria

States have flexibility in determining eligibility levels for individuals for whom the State will receive enhanced matching funds within the guidelines established under Act 42 USC 1397bb[b]. Specifically for the Delaware Health Children Program (DHCP), eligibility ends at the end of the month of the child's 19th birthday (DHCP policy manual).

Condition

We recommended in the prior year that DSS develop DCIS II system edits to automatically terminate DHCP benefits in accordance with State policy.

Using computer-assisted audit techniques, we obtained a listing of all participants listed in the State's eligibility system (DCIS II) as eligible during the year ended June 30, 2005 whose 19th birthday had passed. We selected 5 of 101 potential exceptions for further review. We noted one of the five cases in which the participant turned 19 on October 25, 2004 and remained eligible through November 30, 2004. However, no claims were processed for this case during this time frame.

Cause

A system edit was implemented as of September 2005. However, the edit did not exist during the year ended June 30, 2005 resulting in the potential for claims to be paid to ineligible individuals.

Effect

During the year ended June 30, 2005, claims may have been processed for ineligible individuals.

Recommendation

Although the system edit was implemented in September 2005, during the year ended June 30, 2005 there was still the potential for cases not automatically terminated on the last day of the month of the participant's 19th birthday. We recommend that DSS review the remaining potential exceptions above to determine whether any claims were erroneously paid for individuals who were no longer eligible.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Social Services

Reference Number: 05-DSS-04

Program: 93.767 State Children's Health Improvement Program
93.775, Medical Assistance Cluster
93.777,
93.778
93.558 Temporary Assistance for Needy Families

Type of Finding: Reportable Condition

Compliance Requirement: Eligibility

Criteria

For some Federal programs with a large number of people receiving benefits, the non-Federal entity may use a computer system for processing individual eligibility determinations and delivery of benefits. Often these computer systems are complex and will be separate from the non-Federal entity's regular financial accounting system. Typical functions a computer system for eligibility may perform are:

- Perform calculations to assist in determining who is eligible and the amount of benefits
- Pay benefits (e.g., write checks)
- Maintain eligibility records, including information about each individual and benefits paid to or on behalf of the individual (regular payments, refunds, and adjustments)
- Track the period of time an individual is eligible and stop benefits at the end of a predetermined period unless, there is a redetermination of eligibility
- Perform matches with other computer data bases to verify eligibility (e.g., matches to verify earnings or identify individuals who are deceased)
- Control who is authorized to approve benefits for eligibles (e.g., an employee may be approving benefits online and this process may be controlled by passwords or other access controls)
- Produce exception reports indicating likely errors which need follow-up (e.g., when benefits exceed a certain amount, would not be appropriate for a particular classification of individuals, or are paid more frequently than normal)

(OMB Circular A-133 Compliance Supplement, Part III.E)

Condition

In the prior year, we recommended that DSS's policies and procedures concerning the update of key dates and other fields within its eligibility determination systems be reviewed to determine whether and to what extent such updates can be automated or edit checked so that they conform to information used in case management and either maintained in the case file or documented in case remarks.

Using computer-assisted audit techniques, we selected cases for review from information in the State's eligibility system for Medicaid, TANF, and SCHIP (DCIS II) based on specific criteria (such as cases that appeared to have participants who were not Delaware residents.) Throughout our testwork, we noted instances in which key eligibility data maintained in the DCIS II system did not agree with the information that was in the participant's manual case file. In addition key dates (i.e. redetermination dates) found in "Case Remarks" screens (text fields),

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

did not match the corresponding data screen in which these dates should be updated by the caseworker. However, in all cases, we noted that the manual case file information validated the eligibility of the program participant although this information was not reflected in DCIS II.

Specifically, we noted the following inconsistencies between DCIS II and manual records:

- Out of 30 Medicaid cases reviewed, four cases did not have a valid social security number identified in the DCIS II system although a social security number was present in the manual case records; one additional case did not have a valid social security number documented in either the DCIS II system or the paper case file, although the participant did have a valid social security number upon review.
- Out of 30 Medicaid cases reviewed, one case history had been erroneously changed to indicate an incorrect entry date for an alien.
- Out of 41 TANF cases reviewed, an individual's birthdate was erroneously entered into DCIS II.
- Out of 41 TANF cases reviewed, in one case DCIS II did not include appropriate indications of remediation of non-cooperation with child support enforcement for an individual who was receiving benefits.

Cause

Because eligibility review for the above programs is a manual process, staff vacancies resulted in key eligibility items not being updated in a timely manner.

Effect

If items used to determine and maintain eligibility are not updated in DCIS II in a timely manner, there is the potential for ineligible participants to receive benefits. In no instance noted above were benefits erroneously received. None of the instances noted above resulted in questioned costs.

Recommendation

We recommend that DSS determine whether it is cost beneficial to further address inconsistencies between DCIS II and supporting documentation.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Social Services

Reference Number: 05-DSS-05

**Program: 10.551, Food Stamps Cluster
10.561**

Type of Finding: Reportable Condition

Compliance Requirement: Special Tests and Provisions: Issuance Document Security

Criteria

The State is required to maintain adequate security over, and documentation/records for, Authorization to Participate (AP) cards, other documents authorizing issuance, EBT cards (7 CFR section 274.12(h)(3)), and the food stamp coupons themselves to prevent: coupon theft, embezzlement, loss, damage, destruction; unauthorized transfer, negotiation or use of coupons; and alteration or counterfeiting of coupons and other documents authorizing issuance (7 CFR sections 274.7(b) and 274.11(c)).

Condition

We visited three of the eight sites issuing EBT cards to review controls surrounding security over EBT cards. We noted that there were instances across all sites visited in which multiple individuals used the same user ID at the terminal used to issue EBT cards.

Cause

Site management believes that logging in to EBT terminals each time terminal users are changed is inefficient.

Effect

The inability to specifically identify who issues specific EBT cards results in reduced accountability.

Recommendation

We recommend that the unique user ID that is assigned to each individual responsible for issuing EBT cards be used.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Social Services

Reference Number: 05-DSS-06

**Program: 10.551, Food Stamps Cluster
10.561**

Type of Finding: Reportable Condition

Compliance Requirement: Eligibility

Criteria

State agencies are required to automate their Food Stamp Program operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning the Food Stamp Program (7 CFR sections 272.10 and 277.18). This includes: (1) processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration; (2) providing an automatic cutoff of participation for households which have not been recertified at the end of their certification period by reapplying and being determined eligible for a new period (7 CFR sections 272.10(b)(1)(iii) and 273.10(f) and (g)); and (3) generating data necessary to meet Federal issuance and reconciliation reporting requirements.

Condition

We noted in the prior year that although the State appears to meet the requirements outlined in the Criteria section above, we noted that the DCIS II system and user documentation related to the Food Stamps Cluster has not been updated for at least two thousand system changes that have been implemented since system inception. We recommended that the system and user documentation for the DCIS II system be updated to reflect current operations and be consistently updated in a timely manner for future changes.

Cause

Although updates have been made to the system as needed, updating of related documentation has not been an agency priority. The agency's Summary Status of Prior Year Findings indicates that "If additional resources become available, the Business Logic Diagrams and Process Model Narratives will be updated. In the meantime, DSS will continue to document program changes and PMTS (Program Management Tracking System)."

Effect

Determination of whether the Food Stamp program ADP system requirements are being met is time-consuming and inefficient.

Recommendation

We continue to recommend that the system and user documentation for the DCIS II system be updated to reflect current operations and be updated in a timely manner for future changes.

Questioned Costs

There are no questioned costs associated with this finding.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Views of Responsible Officials

See corrective action plan.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Department of Health and Social Services

Division of Substance Abuse and Mental Health

Reference Number: 05-SAM-01

Program: 93.959 Block Grant for the Prevention and Treatment of Substance Abuse

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Condition

There are four employees who work are 100% charged to the program and complete semi-annual effort reports as required. Other employee salaries were charged to the program without required effort reporting for the first six months of fiscal 2005, and one employee salary was charged to the program without required effort reporting for the entire year.

Cause

As of January 2005, all positions but the four positions that are 100% charged to the program were moved to State funding, except for one position that was not moved due to an administrative oversight.

Effect

Salary allocations to the Block Grant for the Prevention and Treatment of Substance Abuse for all but four employees were not supported with appropriate effort reporting for the first six months of fiscal year 2005, and for one employee for the entire year for fiscal year 2005.

Recommendation

The one employee whose position was not moved to State funding in January 2005 and did not complete an effort report should either be moved to State funding or complete the appropriate effort reporting.

Questioned Costs

Questioned costs are the total salaries and benefits charged to the program not supported by effort reports that were not otherwise adjusted prior to year-end of \$95,201.

Views of Responsible Officials

See corrective action plan.

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Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Matrix of Findings by Federal Agency

Finding	USDA	Commerce	Defense	Justice	Labor	DOT	Veterans Affairs	ED	HHS	Homeland Security
Prefix	10	11	12	16	17	20	64	84	93	97
05-AGI-01									X	
05-AGI-02									X	
05-CSE-01									X	
05-CSE-02									X	
05-CSE-03									X	
05-CSE-04									X	
05-CSE-05									X	
05-CYF-01									X	
05-DEM-01				X						X
05-DMS-01	X								X	
05-DNG-01			X							
05-DNG-02			X							
05-DNR-01		X								
05-DOL-01					X					
05-DOT-01						X				
05-DPH-01									X	
05-DPH-02	X									
05-DPH-03	X									
05-DPH-04	X									
05-DPH-05									X	
05-DPH-06									X	
05-DPH-07									X	
05-DPH-08									X	
05-DPH-09									X	
05-DPH-10									X	
05-DPH-11									X	
05-DSS-01									X	
05-DSS-02									X	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Award Findings and Questioned Costs

Year ended June 30, 2005

Finding	USDA	Commerce	Defense	Justice	Labor	DOT	Veterans Affairs	ED	HHS	Homeland Security
05-DSS-03									X	
05-DSS-04									X	
05-DSS-05	X									
05-DSS-06	X									
05-DTC-01								X		
05-DTC-02								X		
05-DTC-03								X		
05-DTC-04								X		
05-DTC-05								X		
05-DTI-01	X				X	X			X	
05-ED-01	X									
05-ED-02	X									
05-ED-03								X		
05-ED-04								X		
05-ED-05								X		
05-ED-06								X		
05-ED-07								X		
05-OMB-01	X					X		X		
05-SAM-01									X	
05-STA-01							X			

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Corrective Action Plan

Year ended June 30, 2005

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Department of Services for Children, Youth and Their Families

Reference Number: 05-CYF-01

Program: 93.658 Foster Care—Title IV-E

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs (Cost Allocation Plan)

Condition

The DHHS Office of Inspector General issued report number A-03-03-00562 dated July 8, 2005 covering the 5-year audit period October 1, 1998 to September 30, 2003 that stated, in part:

“Delaware’s cost allocation plan describes the procedures used to identify, measure, and allocate administrative and training costs among benefiting Federal and State programs. DCA approved Delaware’s cost allocation plan 95-1 in March 1999. The plan was effective from October 1998 through September 1999. In December 1999, DCA approved cost allocation plan 95-2, effective October 1999.

After approval of plan 95-2, ACF [DHHS, Administration for Children and Families] regional officials noted unanticipated increases in Title IV-E administrative costs. ACF initiated deferral of certain costs claimed for Title IV-E candidates and requested that the Office of Inspector General audit Delaware’s claims for Title IV-E administrative and training costs developed under plan 95-2.”

The report further states that:

“The [State Department of Services for Children, Youth and their Families (DSCYF)] Department of Services used the revised [95-2] methodology to allocate candidates’ case management costs ...during the quarters ended December 1999 through June 2003.”

And that:

“Beginning with the quarter ended September 2003, the Department of Services returned to the earlier method that properly allocated candidate costs to benefiting programs. However, the Department of Services did not amend its cost allocation plan.”

The report identifies costs of \$5,859,542 (Federal share) over the five year period under audit related to the use of the 95-2 methodology, and recommends, in part, that the State “...amend its cost allocation plan to reflect the appropriate methodology for allocating administrative costs for foster care candidates.”

DSCYF stated its concurrence with this recommendation in its official response to the audit report, and stated its intention to amend its cost allocation plan in the December 2005-January 2006 timeframe, anticipating approval from the Regional Office of the Administration for

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Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system. DSCYF, in the interim, reverted to the previously approved 95-1 methodology after discussion with DHHS.

For the period under audit for purposes of the Single Audit (July 1, 2004 through June 30, 2005), the Foster Care program was not operating under a cost allocation plan submitted in accordance with 45 CFR § 95.509 and HHS Grants Administration Manual Chapter 6-200.

Costs allocated using the original methodology approved in the 95-1 cost allocation plan for the Foster Care program for the year ended June 30, 2005 were \$3,023,362, representing 52% of the total program costs of \$5,813,565.

Recommendation

We recommend that DSCYF continue to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 which it concurred with in a letter dated May 25, 2005 included as an appendix to that report.

Agency Contact Name	Harry Roberts
Agency Contact Phone Number	(302) 892-4534
Corrective Action Plan	<p>As stated in the DSCYF 5/25/05 audit report response memo to the OIG, we indicated our concurrence with this recommendation as well as our intention to amend the cost allocation plan in the December 2005-January 2006 timeframe. This timeframe was predicated on anticipated approval from the Regional Office of the Administration for Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system as outlined in the 5/25/05 memo.</p> <p>It should be noted that DSCYF did revert to the previously approved 95-1 methodology after receiving verbal concurrence. DSCYF felt at the time that the process of formulating an amendment to the CAP would be resolved and completed more quickly than has been the case and had planned to submit a single comprehensive CAP amendment.</p> <p><u>Prior to our response to the audit report, DSCYF had taken the following actions:</u></p> <ul style="list-style-type: none">• Based upon discussions with the OIG and their

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	<p>concurrence, beginning 7/1/03 (for the quarter ending 9/30/03) DSCYF returned to the previously approved CAP methodology (CAP 95-1) of properly applying a penetration rate to the costs allocated for foster care candidates.</p> <ul style="list-style-type: none">• On 1/15/04, DSCYF submitted a corrective action plan to the OIG which also shared it with the RO. Based upon positive verbal feedback from OIG staff, DSCYF has been proceeding to carry out the steps in the plan.• As a part of the corrective action plan, DSCYF developed a foster care candidacy documentation proposal and submitted it to the RO on 6/18/04 for their consideration. This documentation system was intended to be the basis for formulating an amendment to the DSCYF cost allocation plan.• DSCYF met with the RO on 3/17/05 to discuss the foster care documentation proposal. On 5/13/05 DSCYF provided answers to questions posed by the RO at the 3/17/05 meeting and requested the RO's approval to run a pilot of the foster care documentation system. <p><u>Since our response to the audit report, DSCYF has taken the following action:</u></p> <ul style="list-style-type: none">• On 8/18/05 DSCYF (in the audit response to the RO) requested a meeting with the RO to resolve the increases in costs related to case management for foster care candidates and to discuss the costs cited in finding # 1 of the audit report. <p>It is the intention of DSCYF to continue to work with the RO in implementing the recommendations contained in the OIG audit report and amending it's CAP.</p>
Anticipated Completion Date	12/06 (Estimated)

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Year ended June 30, 2005

Delaware Emergency Management Agency

Reference Number: 05-DEM-01

Program: 16.007, 97.004, 97.042, 97.067 Homeland Security Cluster

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs (Effort Reporting)

Condition

Specific allocations are made from each employee's salary to the grant. Some employee salaries are charged 100% to the grant, while only a portion of other employees' salaries are charged to the grant. There are no personnel activity reports that reflect after-the-fact distributions of the actual activity on the grants charged. No support exists for the salary allocations and no semi-annual certifications were prepared for employees working exclusively on the grant. Total salaries charged to the program were \$746,374. Total expenditures for the program were \$17,438,635.

Recommendation

DEMA is in the process of implementing the Corrective Action Plan from the prior year audit. We recommend that DEMA continue implementation of its Corrective Action Plan.

Agency Contact Name	<i>Robert Harrison</i>
Agency Contact Phone Number	<i>302-659-2244</i>
Corrective Action Plan	We are re- developing a more comprehensive semi-annual certification for all employees to use. We will send this new certification out on or about April 1, 2006, and make the necessary changes to it that might be uncovered. All required changes will be processed in a timely manner after the certifications are returned from the employees. From that point on certifications will be complete each April and October. However, changes will be made when they happen as applicable.
Anticipated Completion Date	June 30, 2006

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Corrective Action Plan

Year ended June 30, 2005

Delaware National Guard

Reference Number: 05-DNG-01

Program: 12.401 National Guard Military Operations and Maintenance Projects

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Period of Availability

Condition

We noted in the prior year that the Delaware National Guard had federal grants open dating as far back as fiscal year 1990. While there were no charges being made against the older grants that violated period of availability per the Cooperative Agreement with the Department of Defense, a grant can only be open for a maximum of five years. After this period, a grant must be closed out. For fiscal year 2005, only grants entered into in fiscal year 2001 should remain open.

We recommended in the prior year that the Delaware National Guard review all open grants and close out grants over five years old to ensure they are in accordance with the Cooperative Agreement and the period of availability. Per the agency's Summary Status of Prior Year Findings, this recommendation was not implemented as of June 30, 2005.

Recommendation

We recommend that the Delaware National Guard continue to implement its corrective action plan.

Agency Contact Name	Manuel Balseiro Jr.
Agency Contact Phone Number	(302) 326-7160
Corrective Action Plan	State Auditor personnel are looking into what procedure needs to be followed for properly closing out the outstanding Cooperative Agreement balances. Once the procedure is identified the State Comptroller's office will immediately take the necessary actions to close out all delinquent years.
Anticipated Completion Date	Actual completion date will be determined by when the corrective procedure is identified. We are hopeful that it can be finalized prior to the FY 2006 audit (September 2006).

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Corrective Action Plan

Year ended June 30, 2005

Delaware National Guard

Reference Number: 05-DNG-02

Program: 12.401 National Guard Military Operations and Maintenance Projects

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs (Effort Reporting)

Condition

We noted that the Delaware National Guard does not apportion Army operations and maintenance (O&M) employees' salaries and benefits based on facility reimbursement rate and time spent at facility. We recommended in the prior year that the Delaware National Guard implement policies and procedures that allow them to properly apportion O&M salaries and benefits based on facility reimbursement rate and time spend at each facility. However, as per the agency's Summary Status of Prior Year Findings, the corrective action has not yet been implemented as of June 30, 2005.

For the fiscal year ended June 30, 2005, the O&M salaries charged 100% to the cooperative agreement were \$353,404 and O&M salaries charged 75% to the cooperative agreement were \$216,497. Total salary and benefit expenditures under the cooperative agreement were \$3,316,729. Total expenditures under the cooperative agreement were \$6,030,168.

Recommendation

We recommend that the Delaware National Guard continue to implement its corrective action plan.

Agency Contact Name	Manuel Balseiro Jr.
Agency Contact Phone Number	(302) 326-7160
Corrective Action Plan	We are currently preparing the documentation for the corrective entry required to reflect the correct personnel costs distribution in DFMS. We started the distribution process in October after discussions with the KPMG audit manager. It is a labor intensive undertaking and likely will result in additional cost to the State. If time allows we will try to get the July – September costs also distributed correctly before the end of the State fiscal year.
Anticipated Completion Date	30 June 2006

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Corrective Action Plan

Year ended June 30, 2005

Department of Natural Resources and Environmental Control

Reference Number: 05-DNR-01

Program: 11.420 Coastal Zone Management Estuarine Research Reserves

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Davis-Bacon Act

Condition

The Department of Natural Resources and Environmental Control (DNREC), expended \$623,385 in federal funds during fiscal year 2005 for a construction project for which contractors did not submit certified payroll records to the State. The project was also partially funded with State funds. Total expenditures under CFDA number 11.420 were \$3,463,850.

Although DNREC was aware that the Davis-Bacon Act applied and the contractors were so informed, DNREC did not have policies and procedures in place to require submission of and monitor certified payrolls.

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that DNREC develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at DNREC.

We further recommend that DNREC develop policies and procedures for coordinating with the Department of Labor, Division of Labor Law Enforcement, regarding split-funded construction projects to which both State and federal laws and regulations apply.

Agency Contact Name	Brian M. Leahy
Agency Contact Phone Number	(302) 739-9921
Corrective Action Plan	The Department agrees with the recommendation in #05-DNR-01 and will develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Division/Grantee specific level and will develop policies and procedures for the applicable Division/Grantee to coordinate with the Department of Labor, Division of Labor Law Enforcement, regarding split-funded construction projects to which both State and federal laws and regulations apply.
Anticipated Completion Date	June 30, 2006

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Corrective Action Plan

Year ended June 30, 2005

Department of Labor

Division of Unemployment Services

Reference Number: 05-DOL-01

Program: 17.225 Unemployment Insurance

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Reporting

Condition

We noted that an SF-269 Form submitted for Regular Trade Benefits (2183 Trade (TAA) Benefits (TRA)), reported the cumulative outlays to date as \$870,194, which differed by \$76,556 from the supporting documentation provided by DUS (amount was underreported). Additionally, for the reporting period in question, there was a reconciling difference of \$1,807 between the internal spreadsheets used to prepare the report and DFMS (the State's general ledger), due to lag adjustments. Therefore, we also noted that the amount of cumulative outlays to date as reported in the SF-269 differed from DFMS by \$78,363.

We noted that for this SF-269 Form, DUS uses internal benefit payment spreadsheets in Excel to track the amount of benefits paid during the reporting period. These Excel spreadsheets are then reconciled to the Delaware Financial Management System (DFMS), the State's accounting system, on a monthly basis. The spreadsheets are utilized due to a timing lag between when the Fiscal Unit has to report the benefit expenditures to the federal government, and when they receive the final payment data from the Employer Contributions Operations Unit.

We noted that DUS subsequently corrected this error as a result of the cumulative nature of the SF-269 Form submitted for the subsequent quarter.

Recommendation

We recommend that DUS implement internal controls to ensure that the identification of errors in reporting information occurs prior to submission of the SF-269 Form to the U.S. Department of Labor.

Agency Contact Name	Kris Brooks
Agency Contact Phone Number	(302) 761-8024
Corrective Action Plan	UI has internal controls in place and agrees to apply and adhere more closely to those controls.
Anticipated Completion Date	March 2006

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Corrective Action Plan

Year ended June 30, 2005

Department of Transportation

Reference Number: 05-DOT-01

Program: 20.500, Federal Transit Cluster
20.507

Type of Finding: Qualification (Scope Limitation), Material Weakness

Compliance Requirement: Allowable Costs

Cash Management

Davis-Bacon Act

Equipment and Real Property Management

Matching

Period of Availability

Procurement, Suspension and Debarment

Reporting

Condition

The expenditure amounts per the BACIS system and per the PeopleSoft system do not agree for the year ended June 30, 2005. Discrepancies are as follows:

Projects under CFDA Number 20.500

	Per DTC		Per DELDOT (SEFA)		DIFFERENCE
DE 03 0016	\$ 358,343	\$	(3,768)	\$	362,111
DE 03 0020	4,125,584		4,283,483		(157,899)
DE 03 0022	592,725		-		592,725
	<u>\$ 5,076,652</u>	\$	<u>4,279,715</u>	\$	<u>796,937</u>

Projects under CFDA Number 20.507

DE 90 0021	\$ -	\$	146,474	\$	(146,474)
DE 90 0022	1,165,477		3,175,845		(2,010,368)
DE 90 0024	2,674,415		2,674,415		-
DE 90 0025	2,674,414		2,674,414		-
DE 90 0026	2,504,920		-		2,504,920
	<u>\$ 9,019,226</u>	\$	<u>8,671,148</u>	\$	<u>348,078</u>
	<u>\$ 14,095,878</u>	\$	<u>12,950,863</u>	\$	<u>1,145,015</u>

These discrepancies carryover into determining whether matching requirements have been met, whether cash drawdowns are appropriate, and whether financial reporting reflects accurate and correct expenditures.

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Year ended June 30, 2005

Recommendation

We recommend that: DELDOT and DTC continue to improve the process by which balances per the BACIS system, the federal drawdown system, and balances per the PeopleSoft system are reconciled at the project level on a monthly basis and records of either DELDOT, DTC, or both are adjusted as appropriate to maintain agreement between the systems.

Agency Contact Name	Kathy S. English
Agency Contact Phone Number	302-670-2688
Corrective Action Plan	The Department of Transportation has instituted a system of checks and balances as well as monthly meetings between the DelDOT and DTC managers of the Federal Transit Cluster accounting systems to ensure that all grants are accounted for in both accounting systems and that both systems are in agreement with each other as well as in agreement with FTA balances as shown on the FTA web site. DelDOT and DTC have reconciled the differences shown in this finding and will continue to monitor grant receipts and expenditures on a monthly basis, at a minimum. Also, DTC fiscal employees have been given access to the FTA web site to use as an additional resource for verification of receipt and expenditure information and to verify grant balances. Detailed reports and reconciliation's are being shared between the two agencies at this time, which we believe will enable much better communication between DelDOT and DTC thereby enhancing the reconciliation process.
Anticipated Completion Date	Correspondence and sharing of data between both agencies has already begun and the monthly reconciliation meetings will begin at the end of March 2006.

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Year ended June 30, 2005

Delaware Technical and Community College

Wilmington-Stanton Campus

Reference Number: 05-DTC-01

Program: 84.007, Student Financial Assistance Cluster

84.032.

84.033,

84.038,

84.063

Type of Finding: Noncompliance

Compliance Requirement: Reporting (Pell Reporting)

Condition

For one out of 30 Pell recipients selected for the Wilmington-Stanton campus (and out of 90 Pell recipients selected across the three Del Tech campuses), both the fall and spring Pell disbursements were not reported within the 30-day timeframe.

Recommendation

We recommend that the Wilmington-Stanton campus reinforce its policies and procedures to ensure that Pell disbursement records are submitted to the Department of Education within the required 30 calendar days.

Agency Contact Name	Debra McCain
Agency Contact Phone Number	(302) 571-5321
Corrective Action Plan	Staff has been trained on the Common Origination and Disbursement procedures allowing for a schedule of sending and receiving files every two weeks. This will permit originations and disbursements to be reported to the Department of Education within the required 30 day calendar period.
Anticipated Completion Date	March 2006

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Corrective Action Plan

Year ended June 30, 2005

Delaware Technical and Community College

Wilmington/Stanton Campus

Reference Number: 05-DTC-02

Program: 84.007, Student Financial Assistance Cluster

84.032,

84.033,

84.038,

84.063

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Special Tests and Provisions (Return of Title IV Aid)

Condition

We recommended in the prior year that the campus enhance policies and procedures to identify students who withdrew before the 60% point of the semester and that the Wilmington/Stanton campus train all personnel to perform Return to Title IV calculations. Although the campus implemented corrective action as per its Summary Status of Prior Year findings, errors remain in the process.

We selected a sample 45 students who withdrew from the Wilmington/Stanton campus and noted the following exceptions:

1. The College credited a student's account with a post withdrawal disbursement prior to the student accepting the award, which consisted of \$1,013 in Pell funds and \$87.13 in FSEOG funds). In addition the student accepted the disbursement subsequent to the 14 day deadline outlined by the campus.
2. For one of the 45 students selected, the College did not disburse funds although the student withdrew after the 60% point of the semester, entitling him to 100% of his aid that was authorized. This student should have been disbursed \$1,195 in Pell funds and \$100 in FSEOG funds.
3. For one of the 45 students selected, the College did not perform a Return of Title IV calculation within 30 days of when the College became aware that the student withdrew. Approximately three months had passed.

Recommendation

We recommend that the campus enhance current policies and procedures to ensure that post-withdrawal disbursement are appropriately managed, Title IV aid is returned within federally established timeframes, and that student aid is appropriately disbursed to students who have withdrawn from the campus.

Agency Contact Name	Debra McCain
Agency Contact Phone Number	(302) 571-5321
Corrective Action Plan	A timetable is in place to generate specific reports throughout

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Year ended June 30, 2005

	<p>the semester that capture students that withdraw, stop attending, or receive a grade change. The reports are reviewed by Financial Aid personnel to insure proper Title IV calculations are performed for students that officially and unofficially withdraw.</p> <p>Specific reports:</p> <p>Generated at the end of drop/add period: No Show Roster</p> <p>Generated at the end of the 60% point: Last Date of Attendance Roster (LDA)</p> <p>Generated at the end of the semester: U Grade Change Report</p>
Anticipated Completion Date	Reports in place as of March 2006.

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Year ended June 30, 2005

Delaware Technical and Community College

Owens Campus

Reference Number: 05-DTC-03

Program: 84.007, Student Financial Assistance Cluster

84.032,

84.033,

84.038,

84.063

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Special Tests and Provisions (Return of Title IV Funds)

Condition

Out of a sample of 45 federal student financial aid recipients who withdrew from the Owens campus, we noted the following exceptions:

1. One student's return to Title IV calculation utilized the correct award amounts, however the student's Pell award in the College's Student Financial Aid system (BANNER) was incorrect. This student was not eligible to receive Pell based on the EFC and enrollment status (less than 1/2 time), however due to a manual error, the student's enrollment in Banner was changed to Full-time and the student received \$350 in Pell. The full amount of \$350 should have been returned to the federal Department of Education.
2. One student's withdrawal date listed on the return to Title IV calculation was incorrect. The correct date that should have been utilized in the calculation is February 4, 2005. The calculation was re-performed using the correct date, which resulted in the student's earned aid to increase by approximately \$19.

Recommendation

Due to the fact that return to Title IV calculations are performed manually, we recommend that the campus develop policies and procedures to ensure that such calculations are reviewed in a timely manner to reduce the rate of human error.

Agency Contact Name	Veronica Oney
Agency Contact Phone Number	(302) 855-1667
Corrective Action Plan	Upon further investigation, the first condition did not occur due to a manual change in the enrollment status. The full-time Pell amount of \$350 was erroneously entered. As a result of the finding and based on the recommendation of KPMG, each R2T4 calculation will be reviewed for accuracy. The process will include checking the paperwork as well as the amounts entered in Banner. In addition to the above measures, we will run a population selection to identify students whose

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Year ended June 30, 2005

	disbursement is greater than the Pell calculated enrollment.
Anticipated Completion Date	We are implementing this process immediately. All R2T4 calculations for the current academic year will be a part of this process.

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Delaware Technical and Community College

Wilmington-Stanton Campus

Reference Number: 05-DTC-04

Program: 84.007, Student Financial Assistance Cluster

84.032,

84.033,

84.038,

84.063

Type of Finding: Noncompliance

Compliance Requirement: Special Tests and Provisions (Verification)

Condition

For a sample of 30 students who were selected by for verification by the Wilmington-Stanton campus (and 90 students who were selected for verification across all three campuses), we noted one instance of the amount of earned income credit reported on the parents' 2003 tax return not being included in the student's institutional student information record (ISIR). This error was not detected during the verification process.

Recommendation

We recommend that the error noted be corrected in the student's ISIR.

Agency Contact Name	Debra McCain
Agency Contact Phone Number	(302) 571-5321
Corrective Action Plan	The earned income credit was added to the selected student's ISIR, and it did not change the result of the EFC. Proper verification procedures have been reviewed with staff to ensure that all necessary financial information, including earned income credit, be taken into consideration when verification is performed on selected students.
Anticipated Completion Date	March 2006.

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Year ended June 30, 2005

Delaware Technical and Community College

All Campuses

Reference Number: 05-DTC-05

Program: 84.007, Student Financial Assistance Cluster

84.032,

84.033,

84.038,

84.063

Type of Finding: Reportable Condition

Compliance Requirement: Eligibility

In the prior year, the State of Delaware Office of the Auditor of Accounts engaged a third party to perform a general controls review of the Banner Application, which supports the Student Financial Assistance Cluster at Delaware Technical and Community College.

Findings identified in the report include weaknesses related to the following:

- **Policies and procedures are not formalized (documented).** The College maintains general policies and procedures for the information technology department; however, detailed operating procedures are not documented. Documented procedures can help maintain continuity of operations in the event of turnover of key support personnel.
- **Backup and Recovery.** The College does not have a written plan for disaster recovery. Additionally, the College has not identified an alternate processing site for the Banner Application that can be used in the event that the datacenter at the Terry Campus should become unavailable.
- **User Account Administration.** Individuals had access to Banner who were no longer employed by the College, and some access levels that did not match current job responsibilities. Periodic access reviews are not performed to ensure that access to Banner remains appropriate over time.
- **High Access Levels.** There are an excessive number of Banner System Administrators. This function should be limited to the individuals who perform administration duties.
- **User Authentication Procedures.** Passwords are not required to change at the Banner or Unix level. There are no password complexity requirements.
- **Change Control.** The process for applying patches to Banner appears to be a sound process; however, the process for tracking Banner problems could be improved and the procedures for applying patches or upgrades to Unix have not been documented.

Delaware Technical and Community College is currently in the process of implementing its Corrective Action plan. The conditions noted in this report still exist as of June 30, 2005.

Recommendation

We recommend that Delaware Technical and Community College continue to implement the recommendations as detailed in the above-referenced report.

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Corrective Action Plan

Year ended June 30, 2005

Agency Contact Name	Peter Shoudy, Chief Technology Officer
Agency Contact Phone Number	(302) 857-1739
Corrective Action Plan	See attached Summary of Findings with indicated action steps.
Anticipated Completion Date	Three major areas of corrective action exist: Policies and Procedures, Disaster Recovery, and Password and Account Permissions. Each of these areas has been partially addressed, and will continue to be addressed in the near and longer term as well and updates will be provided as that is done.

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Corrective Action Plan

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05-DTI-01 Detail			
<p>1. Lack of Formal Policies & Procedures for the operating environment at DTCC.</p>	<p>Implement detailed policies and procedures (P&P). Management should formally review and approve.</p> <p>P&P should be developed detailing the acceptable use of equipment and resources, confidentiality of data and security awareness. Employee signoff required.</p>	<p>Agreed. DCCC has informal P&P however they need to be formalized.</p> <p>DTCC has an Acceptable use policy (1.12) that all employees must sign. System Security and access is discussed routinely.</p>	<p><u>Partially Implemented</u> - Currently in the process of finalizing the Policies and Procedures in the area of information technology. Will have first draft complete by the end of this academic year.</p> <p>Acceptable use policy developed and implemented.</p>
<p>2. DTCC lacks a formal Business Continuity and Disaster Recovery Plan.</p>	<p>DTCC Management should formalize policies and procedures for disaster recovery and or business continuity. The plan should consider: an alternate processing site; remote connectivity testing; annual testing including documentation of the testing results; and off site storage for backup tapes.</p>	<p>DTCC is aware of this issue and has placed it on the college-wide list of priorities for the technology organization. Funding for this effort will be included in the FY06 Budget.</p>	<p><u>Partially Implemented</u> – DTCC has developed a P&P for backup, however it is not a full Disaster Recovery Plan. DTCC is planning to work with DTI to fully develop a Disaster Recovery plan.</p> <p>Funding for this was requested in the FY06 with continued funding through FY08 as a part of the Capital budget request.</p> <p>This has been placed on hold pending DTI's modifications to DR software; expect to resume Summer 2006.</p>

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<p>3. Controls over Upgrades and Patches need improvement.</p>	<p>Procedures should be formalized for the application of UNIX Patches and system Upgrades.</p> <p>Notifications for the patch process should be reviewed and signed off as to if the patch should be applied or not installed.</p> <p>Upgrades / patches should be installed in a test environment, tested, and signed off.</p> <p>Evidence of Banner end-user testing for patches and upgrades should be documented.</p> <p>Management should designate a group of users to perform user acceptance testing of critical Banner modules.</p> <p>An audit trail of all testing should be maintained.</p>	<p>The College believes that the current procedures are adequate given the volume and nature of the patches involved as well as the reliability of the patch process from the vendor.</p> <p>End user testing is done within the confines of our environment. The college supports multiple copies of the database in which users are apprised of the new versions and testing by functional groups is done.</p>	<p><u>Partially Implemented</u> – DTCC is currently in the process of developing Policies and Procedures. See Finding #1.</p> <p>In addition to the policies and procedures being developed a checklist will be utilized when applying patches and upgrades and will serve as part of the formal documentation process. This process is currently being piloted using the DTCC Wiki as the repository for the information.</p>
<p>4. No formal procedures for Tracking and Resolving Banner Issues.</p>	<p>DTCC should track internal issues with Banner to evidence the monitoring of the environment for errors.</p>	<p>SCT provide support for issues with Banner via the Action Web support group. DTCC is very satisfied with this service. Internal issues are tracked by the project Management Team (PMT). They are documented in the</p>	<p><u>Implemented</u> – All Banner issues are being tracked and documented via the Action Web Support Group or by the Project Management Team.</p>

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		minutes of the PMT meetings.	
5. Sharing of Banner Administrative accounts.	<p>Administrative accounts should be limited to individuals who perform administrative tasks.</p> <p>Passwords for Administrative accounts should be changed periodically.</p> <p>If account sharing is required, consider assigning the administrative accounts on a temporary basis, and then revoking access upon completion of the task.</p>	Acknowledged. The college Computing Center is a small environment; we believe that this level of access is appropriate given our situation.	<p><u>Implemented</u> – DTCC implemented a policy requiring the changing of administrative passwords effective 10/1/05. Also see finding #7.</p> <p>DTCC has reduced the number of administrative accounts to three with Banner Administrative capability.</p>
6. Network access to the Banner application. Access to the client server environment of Banner is not restricted.	Management should consider logging client server installations of the Banner application.	We do not believe there is a security issue with respect to access to the Banner client. Access to the client provides nothing to a user. Running the client without having an account on the banner system would not allow access to system information.	<p><u>Implemented</u> – DTCC no longer allows access to Banner via the client server environment. All users now access the Banner application via the web.</p>
7. Both Banner and Oracle password controls could be improved.	<p>Management should implement strong password controls for both Banner and the Oracle database.</p> <p>Strong passwords would include: 60-90 day periodic password changes; prevent reuse</p>	<p>DTCC feels some of these points are valid and will take this under advisement.</p> <p>Steps are in place to move to a different 'authority' for system accounts, which</p>	<p><u>Partially Implemented</u> – DTCC is in the process of updating overall IT policies and Procedures. See finding #1.</p> <p>On 10/17/2005 DTCC</p>

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	of password parameters; password complexity should require both alpha and numeric characters.	includes strong passwords. The funding necessary for the continuation of this college wide initiative will be included in future fiscal years.	will implement new security controls, which will include strong passwords and restrictions on the reuse of passwords for both Banner and Oracle. Effective 3/15/2006 a new password policy was put into effect which uses strong password composition and requires changing every 6 months.
8. User account permissions were not assigned appropriately.	Management should consider periodic (semi-annual) review of users access to the Banner application for appropriateness.	<p>Their supervisor authorizes functionality assigned to users. Changes in functional responsibility can change as banner changes; the auditor may not have taken this into account.</p> <p>Terminated employees do stay on the list into perpetuity in order to provide an audit trail of their authorizations and activities. These former employees do not have access to Banner upon termination but do remain on the list.</p>	<p><u>Partially Implemented</u> – DTCC reviewed access of Banner users by requiring supervisors to review and approve access granted to all users.</p> <p>In addition, DTCC will include in the policy being developed (finding #1) that procedures relative to the creation and maintenance of users accounts be included.</p> <p>User accounts for terminated employees must stay on the list to provide an audit trail and history. These accounts are deactivated and they have no access capability.</p>

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Department of Technology and Information

Reference Number: 05-DTI-01

Program:	93.775, 93.777, 93.778	Medical Assistance Cluster	Eligibility
	93.767	State Children's Health Improvement Program	Eligibility
	93.558	Temporary Assistance for Needy Families	Eligibility
	10.551, 10.561	Food Stamp Cluster	Eligibility
	93.596	Child Care Cluster	Eligibility
	93.563	Child Support Enforcement	Eligibility
	10.557	Supplemental Nutrition Program for Women, Infants and Children	Eligibility
	17.225	Unemployment Insurance	Eligibility
	20.500, 20.507	Federal Transit Cluster	Reporting
	20.205	Highway Planning and Construction Cluster	Reporting

Type of Finding: Reportable Condition

Compliance Requirement: see above

The State of Delaware Office of the Auditor of Accounts issued in the prior year a report which contained reportable conditions related to the information technology general controls surrounding the State's eligibility determination systems housed in the Biggs Data Center, including the DCIS II System (Medicaid, TANF, Food Stamps), the CCMIS System (Child Care), the WIC System (WIC Program), and the DACSES system (Child Support Enforcement). Additionally, the report contains reportable conditions related to the information technology general controls surrounding the State's Unemployment system, and Department of Transportation systems, which are housed in the William Penn Data Center. The Biggs Data Center and William Penn Data Center are maintained by the Department of Technology and Information (DTI.)

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Findings identified in the report, entitled *State of Delaware Office of the Auditor of Accounts, Department of Technology and Information, Biggs and William Penn Data Center General Controls Follow-Up*, include weaknesses related to the following for the Biggs data center:

- Data security and classification
- User account management
- Data file access and security administration
- File transmissions
- Business resumption
- Physical security and environmental controls
- Program change control
- Tape back-up

Additionally, the following weaknesses were identified for the William Penn data center:

- Operating system and application development
- Data file access and security administration
- Change control
- Physical security
- Disaster recovery planning and backup procedures

We recommended in the prior year that the Department of Technology and Information implement the recommendations as detailed in the above-referenced report. As per the Summary Status of Prior Year findings, remediation efforts are ongoing but have not yet been completed as of June 30, 2005.

Recommendation

We continue to recommend that the Department of Information and Technology implement its corrective action plan.

Agency Contact Name	Tom Jarret, Secretary
Agency Contact Phone Number	(302) 739-9628
Corrective Action Plan	See detailed response to audit report noted above.
Anticipated Completion Date	Ongoing, see detailed response to audit report.

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Education Findings by School District within the State Education Agency

Federal funding is passed through the State Department of Education to Delaware school districts that are part of the reporting entity. Similar findings at the school districts and Department of Education have been grouped by compliance requirement as noted in the table below.

Finding	Dept. of Education	Brandywine School District
05-ED-01	X	
05-ED-02	X	
05-ED-03	X	
05-ED-04	X	
05-ED-05	X	
05-ED-06		X
05-ED-07	X	

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Corrective Action Plan

Year ended June 30, 2005

Department of Education

Reference Number: 05-ED-01

Program: 10.558 Child and Adult Care Food Program

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Subrecipient Monitoring

Condition

The State Department of Education (DOE) did not have formal policies and procedures in place to monitor OMB Circular A-133 reporting for its 95 subrecipients under this program. There was no evidence that a confirmation was obtained for subgrantees that were not required to have an audit. For three subgrantees that had each received more than \$500,000 directly from DOE, there was no confirmation or follow-up on OMB Circular A-133 reporting. However, DOE does continue to monitor its subrecipients on an ongoing basis in accordance with the record-keeping requirements of 7 CFR section 226.15(e), which requires that each subrecipient shall establish procedures to collect and maintain all program records required by 7 CFR 226. The total amount of expenditures passed through to subrecipients was \$9,366,303 for the year ended June 30, 2005.

Additionally, based on our review of subrecipient applications, we noted that none of the applications included their outside employment policy as required by 7 CFR 226.6. However, the DOE does continue to monitor its subrecipients on an ongoing basis in accordance with the record-keeping requirements of 7 CFR section 226.15(e), which requires that each subrecipient shall establish procedures to collect and maintain all program records required by 7 CFR 226. The total amount of expenditures passed through to subrecipients was \$9,366,303 for the year ended June 30, 2005.

Recommendation

We recommend that DOE implement formal policies and procedures to ensure that subrecipient audit reports are obtained on a timely basis, and that appropriate follow-up is taken on findings, where applicable. We further recommend that the Department also ensure that it obtains confirmation from its subrecipients that they are not required to have an OMB Circular A-133 audit, if applicable.

We further recommend that DOE revise its applications to ensure that outside employment policies are properly included in the application process so eligibility is properly evaluated and determined.

Agency Contact Name	Beth Wetherbee
Agency Contact Phone Number	(302) 735-4060
Corrective Action Plan	All Records of Sponsors were reviewed and reorganized. Copies of Outside Employment Policy's were requested (since OEP were kept on site and monitored on review/audit) and are

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

	now found in the Permanent record portion of the Sponsors record in the Administrative Office (DOE). See attached policy developed in October 2005 related to subrecipient audit reports.
Anticipated Completion Date	October 2005

Here is a copy of the instructions for using the Federal Audit Clearinghouse. The two last pages indicate where the site is and how to get the information based on EI #'s.

The policy below is what CACFP will do this year as well as in the future in fulfilling the programs' requirement for monitoring A-133 Audits.

New Policy:

Effective with the FY'06 (October 2005) application process, the Delaware CACFP will be implementing the following new procedure to be in compliance with 7CFR Part 3052 dealing with OBM-133, including reflecting the last revision raising the threshold of audit from \$300,000-500,000 after 12/31/2003.

All sponsors will be reminded of the OMB-133 Audit requirements in their FY'06 SA Approval letter for program participation in FY '06 with a questionnaire requesting it be filled out and returned (see attached). In the future, all sponsors will be notified, in their request for application (FY'07), of OMB-133 Audit requirements with the same questionnaire requesting it be filled out and returned. Non-compliance with the return of the requested information will not jeopardize a Sponsors participation in the CACFP unless the Sponsor meets the A-133 Audit threshold with CACFP funding (see below).

Sponsors meeting the threshold of Federal Expenditures in the CACFP the previous closed fiscal year will be researched through the Federal Audit Clearinghouse Internet web site for compliance prior to approving their Application for the new year. Any Sponsors missing the timelines for filing an A-133 Audit will receive a written administrative follow-up request to the status of the report. Non-compliance with filing an A-133 will then lead to a 'seriously deficient' letter being sent, with given time frames for correction.

Those A-133 Audits in 'incomplete' status and missing information will be encouraged to provide such in a timely manner to FAC.

* CACFP will continue to request Sponsors to submit a hardcopy of their A-133 Audit when completed to the CACFP Administrative Office for file.

11/16/2005 bmw

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Corrective Action Plan

Year ended June 30, 2005

IMPORTANT NOTICE

November 4, 2005

Dear Child and Adult Care Food Program Sponsor:

To comply with and meet all responsibilities and requirements set forth in 7 CRF Part 226 Child and Adult Care Food Program and Regulation regarding audit requirements under OMB Circular A-133, please complete the following survey and return it to the CACFP Administrative Office no later than November 30, 2005.

Audit Questionnaire

Organization Name: _____

What are your Fiscal Year dates (ex. 1/1/2005 – 12/31/2005): _____

	Yes	No
Do you receive any federal dollars other than CACFP money?	<input type="checkbox"/>	<input type="checkbox"/>

If 'Yes', then list the Program and the dollar amount received during 'your' last 'Fiscal Year.'

Program	Dollar Amount Received
_____	_____
_____	_____
_____	_____
_____	_____

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Department of Education

Reference Number: 05-ED-02

Program: 10.553, Child Nutrition Cluster
10.555,
10.556,
10.559

Type of Finding: Noncompliance

Compliance Requirement: Reporting

Condition

We noted that the SF-269 Form for the Child Nutrition Cluster reported the total federal funds authorized for the funding period as \$15,891,038, which differed by \$375,146 from the estimated receipts amount reported in the Delaware Financial Management System (DFMS), the state's accounting system (amount was underreported).

Recommendation

We recommend that DOE submit an amended SF-269 Form to the U.S. Department of Agriculture to correct the error.

Agency Contact Name	Scott Kessel
Agency Contact Phone Number	(302) 735-4055
Corrective Action Plan	An amended SF-269 was submitted to the USDA and reconciliation procedures are still in process as FY 2005 child nutrition funds are still active.
Anticipated Completion Date	June 30, 2006

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Corrective Action Plan

Year ended June 30, 2005

Department of Education

Reference Number: 05-ED-03

Program: 84.287 21st Century Community Learning Centers

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Subrecipient Monitoring

Condition

DOE did not follow its internal policies and procedures established to monitor the activities of its subrecipients under this program, as evidenced by the following:

- For the program's five subrecipients, there was no evidence that the required site visits had been performed by DOE.
- For the program's five subrecipients, DOE had not received any of the required annual expenditure reports or outcome-based data from the subrecipients.
- For one of the program's five subrecipients, DOE had disbursed federal funds to the subrecipient without having gone through a re-application process, including review and approval by the program manager.

The total amount of expenditures passed through to subrecipients was \$1,726,588 for the year ended June 30, 2005. Total expenditures for the program as a whole were \$3,584,733.

Recommendation

We recommend that DOE reinforce its policies and procedures to ensure that subrecipient activities are monitored on a timely basis, and that the monitoring visits are documented and reviewed by a supervising official. We further recommend that DOE ensures that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis.

Agency Contact Name	Theresa Vendrzyk Kough
Agency Contact Phone Number	(302) 735-4268
Corrective Action Plan	<p>DDOE has contracted with the University of Delaware to conduct site visits for all 21 grantees. All sites will be visited by June 30, 2006. Monitoring reports will be submitted to DDOE for review. DDOE will continue to contract for site visits on an annual basis.</p> <p>Outcome-based data is collected annually for all grantees through the 21st Profile and Performance Information Collection System. All DDOE 21st CCLC grantees completed this information for the last cycle. The year's data is due October, 2006.</p>
Anticipated Completion Date	DDOE has initiated a quarterly expenditure reporting system for all 21 st CCLC grantees. Repts are due: 2/1/06, 5/1/06, 8/1/06 and 10/1/07.

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Corrective Action Plan

Year ended June 30, 2005

Department of Education

Reference Number: 05-ED-04

Program: 84.010 Title I

84.048 Vocational Education

84.027, Special Education Cluster

84.173

Type of Finding: Qualification (Scope Limitation), Reportable Condition

Compliance Requirement: Reporting

Condition

The State Department of Education (DOE) provides centralized statewide data management for public education.

The State's Office of the Auditor of Accounts originally performed procedures relating to the general and application controls surrounding the eSchoolPlus computer system, which is used for student accounting at the school district and Department of Education levels, for the period February 19, 2004 through March 31, 2004 (*Department of Education, General Information System Controls for the eSchoolPlus Processing Environment*). This report, which identified twenty-one recommendations, which was followed up by a report dated April 26, 2005 (*Department of Education, General Information System Controls for the eSchoolPlus Processing Environment Follow-up*). The follow-up report noted that five of the twenty-one findings had been implemented, six had been partially implemented, and ten had yet to be addressed by DOE.

Remaining deficiencies in general and application controls surrounding the eSchoolPlus system include deficiencies related to:

- Physical access and security
- Change management
- Monitoring
- Logical security administration and access controls
- Disaster recovery plan and backup policies and procedures

Additionally, DOE was unable to provide the Vocational-Technical Education Enrollment Report for Cape Henlopen School District. These reports are gathered and used by DOE to compile the total amounts reported in the Consolidated Annual Performance, Accountability, and Financial Status Report (CAR).

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Corrective Action Plan

Year ended June 30, 2005

Recommendation

We recommend that DOE implement corrective actions as contemplated in their response to the Office of the Auditor of Account's reports to reasonably ensure integrity of the eSchoolPlus system.

Agency Contact Name	Pat Dunn
Agency Contact Phone Number	(302) 739-4583
Corrective Action Plan	<p>A follow-up audit dated September 22, 2005 indicated that three control weaknesses continued to exist at that date, including user access, database access and events, and password settings. Our responses are as follows:</p> <ol style="list-style-type: none">1. User Access—Technology Management and Design work group's database security specialist will develop a policy for the Department. This policy will be shared with the district and charter school pupil accounting coordinators at the regularly scheduled November 2005 PAS coordintaors' meeting. Districts and charter schools will be directed to adopt the DOE policy or develop similar policies. Findings from the eSchoolPlus audit will serve as the basis for this directive.2. Database Access and Monitoring—Sungard Pentamation, Inc. has announced plans to add logging capabilities to the ESP application by June 2006. It will be included in the release of the 1.6 version of the software. This utility will monitor database events and transactions performed against database records. Information to be captured includes login ID, columns changed, old and new data, pages changed, session number, as well as other information that can be utilized to identify high-risk events and transactions.3. Password Settings -The Department has an existing Network Password Policy. The policy requires use of Strong Passwords (must be at least 7 characters in length and must conform to the default Windows 2000 complexity requirements). Passwords within eSchoolPlus application will be converted to adhere to DOE password requirements. A Product Enhancement Request that will allow active users to change their existing passwords will be placed with Sungard Pentamation, Incorporated by November 1, 2005. The request will include a proposed implementation date of July 1, 2006.
Anticipated Completion Date	See above.

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Department of Education

Reference Number: 05-ED-05

Program: 84.048 Vocational Education

84.027, Special Education Cluster

84.173

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs

Condition

Vocational Education

Of the 30 payroll expenditures selected for testwork, we noted that 8 were based on budgeted, rather than actual, effort supported by the employees' time and effort certifications.

Special Education

Of the 33 payroll expenditures selected for testwork, we noted that 7 were based on budgeted, rather than actual, effort supported by the employees' time and effort certifications.

Recommendation

We recommend that DOE develop procedures to periodically adjust payroll costs charged to federal awards based on the actual activity performed, as supported by the time and effort certifications.

Agency Contact Name	Tammy Korosec
Agency Contact Phone Number	(302) 735-4040
Corrective Action Plan	Due to the FTE funding structure of the State of Delaware, this issue is not isolated to the Department of Education. We will be taking this concern to the Office of Management and Budget for further discussion.
Anticipated Completion Date	June 30, 2006

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Department of Education

Brandywine School District

Reference Number: 05-ED-06

Program: 84.010 Title

84.367 Improving Teacher Quality

84.027, Special Education Cluster

84.173

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs (Effort Reporting)

Condition

We noted, based on a sample of 30 payroll charges, that Brandywine School District did not maintain the personnel activity reports (effort reports) as required for those employees who worked on multiple programs. We also noted that the school district neglected to obtain the required certifications for employees who spent 100% of their time in one federal program.

Total payroll and benefit costs for Brandywine School District for these programs were:

Title I	\$1,867,399
Improving Teacher Quality	\$1,188,380
Special Education	\$1,828,770

Total payroll and benefit costs for these programs as a whole across the State were:

Title I	\$23,942,764
Improving Teacher Quality	\$11,655,745
Special Education	\$20,399,653

Recommendation

We recommend that Brandywine School District maintain personnel activity reports (effort reports) for all employees who work on multiple programs or obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source.

Agency Contact Name	David Blowman or Carl Schrass
Agency Contact Phone Number	(302) 793-5045 or (302) 793-5011
Corrective Action Plan	A time-reporting method involving the use of monthly calendar pages has been in use in the district. They have proven to be confusing and cumbersome to use by individual supervisors to whom federally funded employees report.

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

	Using significantly simpler reporting forms used by another school district and shown to us as a template, we have revised our reporting documents to be much more clearly self-explanatory by the user.
Anticipated Completion Date	Revised reporting documents have been distributed to the field.

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Year ended June 30, 2005

Department of Education

Reference Number: 05-ED-07

Program: 84.010 Title I

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Special Tests and Provisions (Comparability)

Condition

We noted that the State's school districts did not have documented policies and procedures to ensure equivalence among schools in teachers, administrators, and other staff, as well as equivalence among schools in the provision of curriculum materials and instructional supplies.

We noted that the U.S. Department of Education's (ED) Student Achievement and School Accountability (SASA) Programs performed a monitoring review of the DOE's administration of Title I programs. The monitoring report issued by ED on 12/20/05 identified a finding and recommendation relating to the comparability requirement for the Title I program.

Recommendation

We recommend that DOE implement the recommendation as detailed in the above-referenced monitoring report.

Agency Contact Name	Ronald Houston
Agency Contact Phone Number	(302) 735-4260
Corrective Action Plan	The Delaware Department of Education requires the district to sign an assurance that they are meeting Title I, Part A NCLB requirements for comparability. The Department, through its Quality Review and the State Title I audits, monitors district/school implementation of comparability. The DDE will send guidance on compliance with the comparability laws and regulations.
Anticipated Completion Date	A copy of the guidance will be submitted to the USDOE by March 30, 2006.

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Financial Statement Finding

Reference Number: 05-FIN-01

Type of Finding: Material Weakness

There has been a lack of segregation of duties over the preparation of the CAFR in prior years. For 2005, the State had more active involvement by Finance staff and additional consultant assistance in preparing certain parts of the CAFR. As a result of the additional training time, implementation of new standards, and time spent documenting the process, the majority of the CAFR again was not completed until five months after year-end. While progress has been made, in the event of an emergency with the key employee it would be difficult for the State to compile the CAFR prior to the December 31 deadline.

The CAFR process entails compiling worksheets, completing reconciliations, customizing reports and recording various adjustments. The many sources of information and the extent of modification necessary results in a financial reporting process that is highly complex and susceptible to errors. There was internal review of the CAFR build-up prior to submitting the document for audit, but the process did not detect all of the errors in the build-up and GAAP packages. Additionally, while a timeline was developed for the completion of major milestones for the CAFR process, none of the significant deadlines were met and while a first complete draft of the CAFR was planned for November 1st, it was not available until December 6th. We noted that many financial reporting deliverables were not completed by the projected deadlines.

Additionally, the financial reporting process is highly dependent on cooperation from component units and other agencies. The component units and several large funds have separate audits that need to be coordinated. When there is not a separate audit, accrual accounting (GAAP) packages are completed annually by personnel in departments and agencies across the State. As a result, there are many manual processes completed by agency/department personnel. We noted significant improvement in the timing of receipt of component unit and other agency financial statements. In addition, the GAAP package reporting process also relies on the audit to ensure that amounts are accurate and properly supported. We noted a few errors in the information submitted on the GAAP packages, , which were not detected by the Division of Accounting's review process.

Recommendation

We recommend that management continue to refine their review of the completed draft CAFR and approve all significant adjustments, conversion to accrual adjustments and reconciliations. The review should include an evaluation of the reasonableness of individual financial statement line items by an individual with sufficient financial reporting experience to detect inconsistencies and errors.

Because of the complexity of the report build-up process, management should re-evaluate the adjustments to convert budget-basis numbers to GAAP and limit reconciling adjustments to required material amounts. In fiscal year 2006, consistency should be put aside as management evaluates the necessity of the adjustments made to the core Delaware Financial Management System (DFMS) reports for CAFR preparation with a focus toward making the year-end financial statements more consistent with management reporting done throughout the year.

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Corrective Action Plan

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We continue to encourage the State to hire financial reporting personnel that can be used to help manage completion of various processes and prepare the CAFR.

The improvements in the component unit timelines and report formats should be built upon to insure complete compliance, and comments on potential improvements to the financial statements for 2006 should be communicated to the component units by the Division of Accounting as soon as possible to allow them to plan. Additionally, these entities should be provided with control numbers for items expected to be identified in the financial statements, including; transfer amounts, debt, cash and due to/from. The GAAP package preparation process should be a priority for all entities/agencies included in the State's financial reporting entity. The importance of accurate and timely submission of financial information be communicated to the senior management responsible for these entities/agencies. In addition, we recommend that there be periodic status reports communicated to senior management to ensure that the GAAP package preparation process continues to be a priority for the personnel responsible for the accurate submission of information.

GAAP package information should be subject to a site review by Division of Accounting personnel for all material agencies in addition to a desk review by a knowledgeable accountant as soon as received to ensure that amounts are accurate and properly supported.

Agency Contact Name	Trish Neely
Agency Contact Phone Number	(302) 744-1035
Corrective Action Plan	<p>The CAFR process continues to be refined. The 2005 process saw a major improvement in the documentation of policies and procedures including linking and imbedding of data source notes into the spreadsheets. The process was broken into multiple components and distributed within the Division. A formal internal review process for each component was implemented, along with the documentation and procedures for each. Cross-training on the completion of each component of the CAFR was also instituted.</p> <p>During the 2005 process, specific reporting needs for each component unit were again identified and communicated via the Office of the Auditor of Accounts (AOA). The importance of the CAFR completion in relation to external audits meeting established deadlines was heavily stressed by the Division of Accounting. Additionally, the division requested drafts of these audits to identify and resolve potential issues prior to their release. Additionally, staff participated in audit conferences for Delaware State University and the Department of Transportation.</p> <p>Additionally, the division implemented GSAB Statement No. 40 – "Deposit and Investment Risk Disclosure", an amendment to GASB Statement No. 3, Deposits with</p>

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Corrective Action Plan

Year ended June 30, 2005

	<p>Financial Institutions, Investments (including repurchase agreements) and Reverse Repurchase Agreements. This is a new standard and the CAFR team experienced several challenges during the implementation process, the resolution of which consumed more time than originally anticipated.</p> <p>We agree that management should approve all significant adjustments, conversion to accrual adjustments and reconciliations. In addition, we agree that the State should hire and train more financial reporting personnel to help with the closeout process. We also agree with the recommendation that the GAAP package information should be subject to a site review by Division of Accounting personnel for all material agencies and a desk review by a knowledge accountant as soon as received to ensure that amounts are accurate and properly supported.</p> <p>The Division has begun a process review with the intent of improving the timeliness and accuracy of the financial information. Although the review has not been completed, we anticipate that the following items will be included:</p> <ul style="list-style-type: none">• Better documentation of the CAFR process through process re-engineering• Rotation of duties between personnel• In-house training on the CAFR process from cash basis to modified accrual to full accrual• Using a test folder to “train” on CAFR journal entries, formats, tables etc.• Focus on error reduction to include self review, using more balancing control totals and using technology whenever possible to reduce input errors• Control of the workflow. <p>By taking the steps listed above, as well as those recommended by KPMG, we believe that we can improve both the timeliness and accuracy of the financial reports.</p>
Anticipated Completion Date	Ongoing

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Year ended June 30, 2005

Financial Statement Finding

Reference Number: 05-FIN-02

Type of Finding: Material Weakness

In order to calculate the ending capital asset balances for inclusion in the CAFR, the State relies on information recorded in the GAAP packages. As noted in finding 05-FIN-01, the Department of Finance again hired consultants to review the data received from the various departments. The accountants detected numerous errors in the amounts reported by agencies on GAAP packages and some remaining inconsistencies in the methodology used to support the amounts. While significant strides were made in cleaning up the records, all of this effort was accomplished after year-end, which added to the delay in preparing the CAFR. Some of the issues resolved in 2005 included construction projects in process not being timely closed out to the appropriate capital asset category upon completion, projects that were completed and placed into service in prior years, but recorded as capital asset additions in the current year, and the identification of assets purchased on installments not being recorded when the commitment was finalized.

Recommendation

The capital asset and construction in process balances comprise a significant portion of the State's total assets. As such, we recommend that the balances be centrally managed by the Department of Finance including site visits to agencies with significant capital assets and construction projects throughout the year. The development of a capital asset accountant oversight position would ensure that the respective agencies are appropriately maintaining accurate capital asset balances throughout the year, transferring completed projects to the appropriate capital asset category timely, validating the accuracy of system reports and properly calculating ending balances on the GAAP packages. In addition, enhanced training on the proper accounting for capital assets, including construction in process, should be mandatory for all agencies with significant capital asset balances to ensure that each agency is completing GAAP packages and calculating capital asset values consistently and in accordance with the State's policies and generally accepted accounting principles.

Agency Contact Name	Trish Neely
Agency Contact Phone Number	(302) 744-1035
Corrective Action Plan	<p>The division currently provides training on the accounting for capital assets to state organizations. We will review our training process to ensure the right people are attending the classes and evaluate KPMG's recommendation of mandatory attendance for agencies with significant capital asset balances.</p> <p>We agree that site visits by in-house personnel to agencies with significant capital assets and construction projects are needed throughout the year and will implement the recommendation. Additionally, the division will continue to build on its continuous improvement efforts to streamline the processes used to account for the State's capital assets.</p>
Anticipated Completion Date	Ongoing

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Year ended June 30, 2005

Financial Statement Finding

Reference Number: 05-FIN-03

Type of Finding: Reportable Condition

The State of Delaware Office of the Auditor of Accounts issued three reports in the prior year which contained reportable conditions related to the information technology general and application controls surrounding the State's accounting (DFMS) and payroll (PHRST) computer systems which are involved in the processing of financial transactions. The Summary Status of Prior Year findings indicates that, although some items have been corrected, the conditions observed in fiscal year 2004 continued to exist during the period under audit.

A summary of the findings of these reports follows.

State of Delaware Office of the Auditor of Accounts, Department of Finance DFMS Application Controls Fiscal Year 2004 Information Systems Audit (Report IS-2004-02)

This report identified opportunities to strengthen the security and data reliability of DFMS, including weaknesses in the following areas relative to DFMS application controls:

- User account management: DFMS user accounts are not being removed or disabled on a timely basis when personnel transfer or separate from State employment.
- Monthly reconciliations: The majority of agencies and school districts are not remitting the monthly certifications as required by Delaware Accounting Memorandum #04-14. Additionally, the Department of Finance did not have an internal policy to effectively track monthly remittance of agency/school district certifications.
- DFMS authorization forms: The Division of Accounting is not adequately maintaining DFMS authorization forms.
- Access to DFMS production datasets: Programmers responsible for maintaining the DFMS application have been granted access to DFMS production datasets without adequate controls to detect changes made to the production environment.
- DFMS suspense table: Agencies are not resolving DFMS transactions that fail to pass system edit routines in a timely manner.

State of Delaware Office of the Auditor of Accounts, State Personnel Office/Department of Finance, PHRST ERP Audit Fiscal Year 2004 Information Systems Audit (Report IS-2004-03)

This report identified internal control vulnerabilities, which, if exploited, could permit improper changes to the system's security structure and changes to payroll data to occur and not be readily detected, including weaknesses in:

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- Security documentation: Management does not maintain documentation relating to the design and assignment of permission lists and roles for the PHRST system.
- Powerful permissions: Security administration functions have not been properly segregated and the assignment of powerful permissions are not commensurate with job functions.
- Restricting access to the application designed tool: Access to PeopleSoft development and integration tools has not been adequately restricted for the PHRST system.
- Security table logging and audit trails: Management does not regularly review PeopleSoft audit tables and changes to the PeopleSoft security tables.

State of Delaware Office of the Auditor of Accounts, Department of Technology and Information, William Penn and Biggs Data Center Controls Follow-Up

This report identified weaknesses in general controls related to the William Penn Data Center, which houses the DFMS and PHRST systems, including weaknesses in:

- Operating system and application development
- Data file access and security administration
- Change control
- Physical security
- Disaster recovery planning and backup procedures

Recommendation

We recommend that the State continue to implement the recommendations as detailed in the above-referenced reports.

Agency Contact Name	R. Dale Abbot, IT Audit Control Specialist, Department of Technology and Information Trish Neely, Director of Accounting
Agency Contact Phone Number	Abbot : (302) 739-9634 Neely: (302) 744-1035
Corrective Action Plan	See response to finding 05-DTI-01 related to William Penn and Biggs Data Center controls. DFMS and PHRST recommendations have been implemented as of October 31, 2005.
Anticipated Completion Date	See 05-DTI-01.

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Financial Statement Finding

Reference Number: 05-FIN-04

Type of Finding: Reportable Condition

The State of Delaware Office of the Auditor of Accounts issued a report entitled *Department of Finance, Statewide SuperCard Audit June 30, 2005* in the current year which contained reportable conditions related to the implementation of the State's procurement and travel card program, known as SuperCard.

The Department of Finance, Division of Accounting, is responsible for the oversight and management of the SuperCard program.

Internal control weaknesses exist at both the oversight level and within the individual departments. Summaries of these weaknesses are as follows:

- Policies and procedures are not updated to reflect the current operating processes of the SuperCard program and do not include:
 - Guidelines for reviewing spending limits and limiting the State's outstanding potential liability.
 - 1099 process for including required SuperCard vendors.
- In addition, stricter criteria should be included in the policies and procedures regarding who should be issued a SuperCard.
 - Spending limits assigned to employees are too high.
 - 88.5% of employees (statewide) issued a SuperCard use less than 10% of their assigned credit limit each month.
 - As of January 1, 2005 the total available profile limit to SuperCard holders was approximately \$49,800,000 and the average monthly spending of SuperCard holders was \$6,700,000, leaving \$44,100,000 of the assigned profile limits unspent each month. The State's maximum credit limit is \$20,000,000, \$4,000,000 of which is limited strictly for vendor-specific ACI payments. The maximum risk to the State each month is \$16,000,000. In addition, the state is insured up to \$100,000 per employee if the card is misused by the employee and if the employee is notified of termination within 75 days of the improper item(s) being billed.
 - Neither the Division of Accounting nor the departments review transaction history to determine the appropriateness of profile limits assigned to cardholders.
 - Not all cardholders issued a SuperCard have a need for the credit card. As of January 1, 2005, 888 cardholders had no activity on their SuperCard for calendar year 2004.

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- Departmental monthly reconciliations of SuperCard transactions are not always completed in a timely manner and there is not always evidence of supervisory review and approval of the monthly reconciliations.
- Payments to the Division of Accounting for SuperCard purchases are not always timely and the Division of Accounting did not reconcile the department SuperCard payments on a monthly basis.
- Transactions were not always evidenced by supporting documentation or supervisory approval of the purchase. Of 1285 transactions reviewed:
 - 110 valued at \$60,166 did not have supporting documentation.
 - 488 valued at \$392,520 did not have evidence of supervisor approval
- Cash advances are used at some departments throughout the State. Of the \$185,000 cash advances in calendar year 2004 approximately \$4,000 of known misuse has occurred.
- The Department of Administrative Services (under the Office of Management and Budget as of July 1, 2005) did not always comply with State procurement law when utilizing the SuperCard:
 - 22 purchase orders were dated after the purchase of the goods.
 - 20 purchases that should have utilized vendor contracts did not utilize them.
 - 80 purchases were not paid within 30 days of the receipt of the invoice.

Recommendation

We recommend that the Department of Finance, Division of Accounting implement recommendations made in the above-referenced report related to weaknesses at the oversight level.

Agency Contact Name	Trish Neely
Agency Contact Phone Number	(302) 744-1035

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Corrective Action Plan	<p>The Division of Accounting is proud of the highly successful SuperCard Program which has had substantial growth and is used as a model by PNC Bank and Works Operating Company (Payment Manager Software.)</p> <p>We recognize there will always be opportunities for internal control improvements. DOA will take action to improve internal controls at the oversight level in accordance with recommendation, where appropriate, and provide guidance on assignment of SuperCards and spending limits through revisions to the State Budget and Accounting Policy Manual.</p>
Anticipated Completion Date	See detailed response as provided with the audit report referenced above.

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Year ended June 30, 2005

Office of Management and Budget

Reference Number: 05-OMB-01

Program: 84.010 Title I

84.367	Improving Teacher Quality
84.318	Technology Literacy Challenge Grants
84.048	Vocational Education
84.287	Twenty-First Century Community Learning Centers
84.027, 84.173	Special Education
10.558	Child and Adult Care Food Program
20.500, 20.507	Federal Transit Cluster
20.205	Highway Planning and Construction Cluster
10.557	Supplemental Nutrition Program for Women, Infants and Children

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Cash Management

Condition

We noted several instances across the State in which the composite clearance method was not appropriately followed, including:

1. For the Child and Adult Care Food program, for one out of three cash draws selected for testwork, the drawdown was made one day after the midpoint of the composite group of disbursements. The weighted average clearance for the Child and Adult Care Food Program is ten days for non-payroll disbursements per the Treasury-State Agreement. The amount that was drawn was approximately \$175,000.
2. For the Title I, Improving Teacher Quality, Special Education, Vocational Education, Twenty First Century Community Learning Centers, and Technology Literacy Challenge Grants programs, we noted that two of the eleven cash draws selected for testwork, the draws were made seven days after the midpoint of the group of composite disbursements although the weighted average clearance for vendor payments per the Treasury-State Agreement is ten day for non-payroll disbursements. The amount of non-payroll expenditures that were drawn were approximately \$858,000 in total for the two draws.

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3. The WIC program draws down approximately weekly. For three of the thirteen cash drawdowns selected for testwork, the WIC Program had not maintained contemporaneous supporting documentation from the State's general ledger system (DFMS) supporting the amount and timing of the draw. These draws totaled \$862,509. Total drawdowns for the sample totaled \$5,713,766.

The State's accounting system (DFMS) does not have the ability to be queried as of a point in time. Additionally, validity reports that detail account balances in the DFMS system on a weekly basis are not maintained by the Program and the State maintains such reports electronically for a limited period of time.

4. For the Highway Planning and Construction Cluster, we noted that all thirteen draws selected for testwork were made five days subsequent the midpoint of the group of composite disbursements. The weighted average clearance for all disbursements per the Treasury-State agreement is seven days. Total drawdowns for the sample were \$26,895,315.
5. For the Federal Transit Cluster, we noted that all five draws selected for testwork were made five days subsequent to the midpoint of the group of composite disbursements. The weighted average clearance for all disbursements per the Treasury-State agreement is ten days. Total drawdowns for the sample were \$7,875,447.

The State reported no interest liability on its annual report for the year ended June 30, 2005.

Recommendation

We recommend that the State's OMB:

- develop Statewide policies and procedures related to federal cash management activities,
- provide copies of the Treasury-State agreement to each impacted agency, and
- provide periodic training sessions for individuals responsible for federal cash management activities.

Agency Contact Name	John D. Nauman
Agency Contact Phone Number	(302) 672-5129
Corrective Action Plan	The State of Delaware through the Office of Management and Budget (OMB) will put in place a training program to help the agencies better understand and follow Federal guidelines with cash management. By working with the staff in the affected agencies OMB will be able to deliver effectively and efficiently any new information and allow the agencies a resource if questions arise on cash management policy. The training will include but will not be limited to a review of the selected funding techniques and a link to the latest copy of the Treasury-State agreement. Lastly, OMB will add citation on cash management policy to Budget and Accounting Manual.
Anticipated Completion Date	December 2006

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Corrective Action Plan

Year ended June 30, 2005

Department of State

Reference Number: 05-STA-01

Program: 64.203 State Cemetery Grants

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Davis-Bacon Act

Condition

\$3,072,451 in federal funds were expended during fiscal year 2005 in a construction project for which the contractor did not contemporaneously submit certified payroll records to the State. The project was entirely federally funded. Total expenditures under CFDA number 64.203 were \$3,275,520.

Although the Department was aware that the federal prevailing wage rates applied and the contractors were so informed, the Department did not have policies and procedures in place to require submission of and monitor certified payrolls. Certified payrolls for this project were provided to the Department of State by the contractor upon request in February 2006.

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that the Department of State develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Department level.

Agency Contact Name	Tim Ferrier, Chief of Administration
Agency Contact Phone Number	(302) 739-4111 ext 1202
Corrective Action Plan	The Department of State is willing to work with the Office of Management and Budget, Facilities Management Division to implement statewide policy and procedures to ensure compliance with the Davis-Bacon Act.
Anticipated Completion Date	April 30, 2006

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Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Services for the Aging and Adults with Physical Disabilities

Reference Number: 05-AGI-01

Program: 93.044, Aging Cluster
93.045,
93.053

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs (Effort Reporting)

Condition

Employees who are 100% charged to the Aging Cluster complete semi-annual certifications in accordance with OMB Circular A-87. Employees work on multiple cost objectives, however, while tracking of effort is performed for employees in the Client Services Unit, DSS of Services for the Aging and Adults with Physical Disabilities (DSAAPD) has not yet developed a system to accurately allocate costs based on actual effort.

Recommendation

We recommend that the DSAAPD continue development of procedures to allocate salaries based on time studies performed in accordance with its Summary Status of Prior Year Findings.

Agency Contact Name	Albert W. Griffith
Agency Contact Phone Number	302.255.9355
Corrective Action Plan	The Division of Services for Aging and Adults with Physical Disabilities (DSAAPD) utilizes a federally approved cost allocation system for tracking employee's time. The system to accurately adjust funding corrections is still under development. Currently information is aggregated and requires additional time to provide detailed information. We hope to automate this process as much as possible.
Anticipated Completion Date	April 2006

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Year ended June 30, 2005

Department of Health and Social Services

Division of Aging and Adults with Physical Disabilities

Reference Number: 05-AGI-02

**Program: 93.044, Aging Cluster
93.045,
93.053**

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Subrecipient Monitoring

Condition

\$3,155,175 was expended under subcontracts for the year ended June 30, 2005 for the Aging Cluster. Total expenditures for the program were \$4,679,108.

DSS performs subrecipient monitoring activities throughout the year, including site visits and project monitoring, which are designed to detect material noncompliance and internal control deficiencies related to the Aging Cluster.

DSS routinely requests audit reports as part of its annual contract renewal process. DSS's "Checklist for Completing Contract Renewals" includes a line for recording the year of the most recent audit report, the date of the audit, and the initials of the individual who reviewed the report. However, DSS does not:

- maintain copies of the OMB Circular A-133 audit reports received from subrecipients
- maintain documentation concerning the consideration of findings identified in the report and their impact on further monitoring efforts and contract renewal
- have a procedure in place for verifying whether or not a subrecipient is required to meet the audit requirements of OMB Circular A-133 (receives more than \$500,000 in federal awards during the subrecipient's fiscal year).

Recommendation

We recommend that DSS:

- Retain all OMB Circular A-133 audit reports received
- Obtain confirmation from subrecipients that do not submit an OMB Circular A-133 audit report that they were not required to do so because they did not meet the expenditure threshold or for some other reason
- Document its consideration of any findings contained in the OMB Circular A-133 audit reports including the impact of any noncompliance or internal control weaknesses on the contract renewal process and future monitoring efforts.

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Year ended June 30, 2005

Agency Contact Name	Albert W. Griffith
Agency Contact Phone Number	302.255.9355
Corrective Action Plan	DSAAPD will develop procedures to implement the recommendations above.
Anticipated Completion Date	July 1, 2006

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Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 05-CSE-01

Program: 93.563 Child Support Enforcement

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Special Tests and Provisions (Paternity and Support Obligations)

Condition

In the prior year, we recommended that the Division of Child Support Enforcement (DCSE) establish appropriate steps to review worklists generated by the Delaware Automated Child Support Enforcement System (DACSES) computer system to determine cases requiring action in order to provide adequate lead time for employees to complete actions necessary to comply with time requirements. We further recommended that the Division replace DACSES with a computer system that could better facilitate establishment of paternity and support obligations.

DCSE continues to work toward implementation of these recommendations. However, per DCSE's Summary Status of Prior Year Findings, recommendations were only partially implemented as of June 30, 2005.

Recommendation

We recommend that DCSE continue with its corrective action plan including the following initiatives:

- Worklist management initiative
- Redistribution of caseloads
- New DACSES system

Agency Contact Name	Guy Perrotti, Deputy Director Linda Murphy, Senior Administrator for Operations
Agency Contact Phone Number	302-326-6201
Corrective Action Plan	Worklist Management Initiative Phase I: Eliminate the creation of duplicate worklist items. COMPLETED 9/5/04 Phase II: Consolidation of the creation of the worklist items, including a new hierarchy of the worklist items. COMPLETED 4/17/05 Phase III: Will adjust the processing and timing of interstate related cases and remove the isolated absent parent locate function (APLS), giving that function to all caseworkers. Projected completion date is now 12/31/06.

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	<p>Phase IV: All processes and worklists should allow cases to be worked until eventual completion without the indefinite suspension of any case minus some form of notification or processing by an automated function. The second goal of this phase requires an analysis of the priority schemes applied to worklist items.</p> <p>Phase V: Evaluation</p> <p>Completion of the Worklist Management initiative in total is now projected for the end of 2007.</p> <p>Caseload Distribution</p> <p>DCSE will redistribute caseloads so that staff is responsible for specific tasks on multiple types of cases. To do this, Child Support Specialists (CSS) will be placed into two primary functional categories: Establishment Workers and Enforcement Workers. Establishment Workers will be responsible for a case from the time of application/intake until the time a support order is established. Among their primary duties (in addition to establishing an order) will be parent locate and paternity establishment. Enforcement Workers will be responsible for a case from the time the order is recorded until the case is closed, taking all required enforcement and modification action necessary to properly work the case.</p> <p>There will two exceptions to the Caseload Redistribution initiative. Dedicated workers will handle Foster Care cases and cases in which the Non-Custodial Parent resides out of state (known as APO cases), from intake to case closure. A statewide Foster Care Unit will be established in New Castle County, while APO workers will be deployed in each county.</p> <p>The DACSES programming required to support Caseload Redistribution is scheduled for completion by October therefore the Caseload redistribution initiative is scheduled for completion in November 2006.</p> <p>New DACSES</p> <p>Below are summary of plans for the implementation of a child support information system to replace DACSES</p> <ol style="list-style-type: none">1. The DASCES database conversion project was completed February 2006.2. The contract for the Feasibility Alternatives and Cost/Benefit Analysis necessary to begin the process to replace DACSES will be awarded in March 2006.
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Year ended June 30, 2005

	<p>3. It should take between 9 and 12 months to complete the feasibility study. One of the deliverables for the study will be a draft RFP for development and implementation of the replacement system.</p> <p>4. Work on the replacement system should begin during the first quarter of SFY 2008.</p>
Anticipated Completion Date	See above

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Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 05-CSE-02

Program: 93.563 Child Support Enforcement

Type of Finding: Qualification (Scope Limitation), Material Weakness

Compliance Requirement: Special Tests and Provisions (Medical Support Obligations)

Condition

In the prior year, we recommended that DCSE enhance the DACSES computer system to include documentation regarding:

- Documentation of health insurance coverage obtained by the custodial parent
- Confirmation of health insurance available (or unavailable) at a reasonable cost by the non-custodial parent
- Additional enforcement action taken to obtain available reasonable-cost health insurance

We further recommended that DCSE replace its outdated DACSES system with a computer system that could better facilitate the establishment of medical support obligations.

Although DCSE is in the process of implementing its corrective action plan, for the year ended June 30, 2005, we were unable to test compliance with this requirement as appropriate documentation of establishment of medical support obligations was not maintained.

Recommendation

We recommend that DSCE continue to implement its corrective action plan which includes:

- Division of Child Support Enforcement/Division of Social Services interface
- New post-court DACSES screen
- New DACSES system

Agency Contact Name	Guy Perrotti, Deputy Director Linda Murphy, Senior Administrator for Operations
Agency Contact Phone Number	302-326-6201
Corrective Action Plan	DSS Interface Work has continued on systems enhancements that will assure that pertinent information regarding the custodial parent's and non-custodial parent's health insurance coverage is transmitted by DCSE to the Division of Social Services (DSS). The electronic transmission will be effected via an extract file and batch process. This interface is now scheduled to become operational by 12/31/06.

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Year ended June 30, 2005

	<p>Post-Court Screen In order to facilitate the entry of important post-court information into DACSES, a DCSE workgroup developed recommendations for a new DACSES screen that will serve as a single point of entry for such information. Among the information to be entered via the post-court screen will be data regarding all relevant health insurance coverage. Implementation is now targeted for 12/31/06.</p> <p>New DACSES See Corrective Action Plan for 05-CSE-01 above.</p>
Anticipated Completion Date	See above

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Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 05-CSE-03

Program: 93.563 Child Support Enforcement

Type of Finding: Noncompliance

Compliance Requirement: Allowable Costs

Condition

One out of forty-five expenditures sampled for allowable costs testwork related to legal fees for a multi-state action against the federal government relating to the Child Support Enforcement program. The amount of the expenditure was \$9,900. The total amount of the forty-five sampled transactions was \$3,436,390. Total costs for the program were \$14,967,008.

Recommendation

We recommend that DCSE reclassify the legal fees as a State expenditure.

Agency Contact Name	Art Caldwell, Fiscal Unit Manager
Agency Contact Phone Number	(302) 326-6024 #231
Corrective Action Plan	A credit for \$9,900 against the Division's Federal funding expenditure reimbursement request was submitted for the quarter ended December 31, 2005.
Anticipated Completion Date	February 2006

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Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 05-CSE-04

Program: 93.563 Child Support Enforcement

Type of Finding: Noncompliance

Compliance Requirement: Matching, Level of Effort and Earmarking

Condition

DCSE generally ensures its matching requirement is met on an individual transaction level. Four out of forty-five expenditures sampled for matching testwork included amounts that were 100% allocated to federal funds. The amount overcharged was \$22,199. The total amount of the forty-five sampled transactions was \$3,436,390. Total costs for the program were \$14,967,008.

Recommendation

We recommend that DCSE reclassify the State portion of these invoices into State appropriations.

Agency Contact Name	Art Caldwell, Fiscal Unit Manager
Agency Contact Phone Number	(302) 326-6024 #231
Corrective Action Plan	A credit against the Division's Federal funding expenditure reimbursement request was submitted for the quarter ended December 31, 2005.
Anticipated Completion Date	February 2006

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Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 05-CSE-05

Program: 93.563 Child Support Enforcement

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Special Tests and Provisions (Interstate Cases)

Condition

DACSES has been programmed to electronically acknowledge and track automated inquiries received from other state IV-D agencies that are received via CSENet. These inquiries are then handled similarly to other cases managed through the DACSES system.

However, DCSE continues to receive non-automated inquiries via US mail that require manual processing.

In the prior year, we recommended that DCSE develop control procedures to ensure that it takes appropriate action regarding incoming interstate cases received via US mail in accordance with federal regulations. DCSE's summary status of prior year findings indicated that a central registry post office box and central registry unit were established as of March 2005. Although we were able to validate that a central registry post office box and a central registry unit have been established, we were unable to audit DCSE's compliance with regulations concerning incoming interstate case inquiries received via US mail because we were unable to obtain a complete population of incoming case information and case review requests.

Additionally, although logs are maintained to record and track processing of relevant correspondence, the underlying correspondence is not maintained centrally so that the timeliness of processing can be ascertained.

Recommendation

We recommend that DCSE continue to develop its tracking procedures to maintain a complete listing of all incoming interstate case information and case review requests received via US mail, and maintain the underlying documents centrally so that timeliness of the processing of such information can be ascertained.

Agency Contact Name	Guy Perrotti, Deputy Director Linda Murphy, Senior Administrator for Operations
Agency Contact Phone Number	302-326-6201
Corrective Action Plan	All interstate mail correspondence will continue to be processed via the Central Registry mailbox and staff in the Central Registry Unit. The use of electronic logs to record and track the processing of all relevant correspondence will also continue. Staff who initially process and log Central Registry

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	<p>mail will remain separate from staff that ultimately assesses the correspondence for appropriate case action.</p> <p>Moreover, for completeness and to allow for an assessment of relevant timeliness issues, <i>all</i> initial and subsequent interstate case mail correspondence will be maintained by DCSE in the appropriate central case file.</p>
Anticipated Completion Date	March 31, 2006

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Year ended June 30, 2005

Department of Health and Social Services

Division of Management Services

Reference Number: 05-DMS-01

Program: 93.767 State Children's Health Improvement Program

93.775, Medical Assistance Cluster

93.777,

93.778

10.551, Food Stamp Cluster

10.561

93.558 Temporary Assistance for Needy Families

93.596 Child Care Cluster

Type of Finding: Reportable Condition

Compliance Requirement: Eligibility

Condition

The DCIS II system assists with eligibility determination for the Medicaid, TANF, Food Stamps, and SCHIP programs, and the CCMIS system assists with eligibility determination for the Child Care cluster.

An agreed-upon procedures engagement was conducted for the Office of the Auditor of Accounts which had the following objectives:

- Gain an understanding of the input data editing and completeness controls for the DCIS II and CCMIS Systems.
- Determine the adequacy of the system access security controls.
- Determine the adequacy of the program change controls.
- Determine the adequacy of the physical security controls.

Findings and recommendations were identified relating to the following areas as follows:

- **Programmer Access.** Two of the ten tested user IDs assigned to programmers have been assigned update transaction access to the production DCIS II System. Security Best Practices recommend that programmers do not have Update access to a Production system.

Recommendation

The report recommend that a full review be performed of the access granted to all 59 programmers to the Production DCIS II System and in those cases where the access is defined as update to any of the subsystems that it be changed to Inquiry. In addition, the report recommended that if a situation arises whereby a programmer needs to have Update access to

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the Production DCIS II System, procedures are developed to ensure that this access is only given in an emergency, be properly approved in writing by management, and be granted only for a short period of time.

- **User Access.** The testing of 50 users defined with access to the DCIS II System out of approximately 1,500 users, all 28 users with only access to the CCMIS System, and all 15 users with DB2 Inquiry access (total of 93 users) disclosed the following:
 - Of the 50 DCIS II System user IDs tested, six users terminated their employment with the State (two of the users actually terminated their employment in 1999). In addition, for another seven of the user IDs, it could not be determined if they currently work for the State since a record could not be found on the State's Personnel System for them.
 - Of the 28 CCMIS System user IDs tested, two users terminated their employment with the State. In addition, for five user IDs, it could not be determined if they currently work for the State since a record for them could not be found on the Personnel System.
 - Of the 15 DB2 Inquiry users tested, two users terminated their employment with the State (one of the users actually terminated her employment in 1999).

In addition, testing noted several instances where a user terminated his/her employment with the State and their user ID was not deleted from having access to the Production DCIS II System and subsequently the user was re-hired by the State and issued a second user ID.

Failure to delete a user's ID on a timely basis when an employee terminates his/her employment allows for the possibility that the user's ID could be used by another user, if the terminated employee made known his/her password. This could result in unauthorized access being gained to the Production DCIS II System, the CCMIS System, and the DB2 Inquiry Region without any user accountability.

Recommendation

The report recommended that the procedures for deleting user IDs from the DCIS II System and the CCMIS System at the time that an employee terminates their employment be enforced by the various State offices by performing thorough reviews of the monthly list of users that is sent to them by the IRM Department. In addition, since this is not being currently done, we recommend that the Department of Social Services, which is responsible for the DCIS II and CCMIS Systems, request the IRM Department to provide it with a list each month of the users defined with access to the DB2 Inquiry Region and that DSS management review this list to determine whether all of the users on the list still require the access to the DB2 Region.

- **User Authorization Forms and Non-Disclosure Agreements.** Of the selected sample of the 50 user IDs assigned with access to the Production DCIS II System, all 15 users with DB2 Inquiry Region access, and all CCMIS System users (total of 93 users), testing disclosed that Biggs Data Center User Authorization and Non-Disclosure Forms could only be found for 85 of the 93 users.

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Corrective Action Plan

Year ended June 30, 2005

In addition, testing of the 85 User Authorization Forms that are on file noted that 10 of the forms did not have the signature of a Security Administrator approving the user access; 11 of the forms did not explicitly indicate whether DCIS II System, DB2 Inquiry Region, or CCMIS System access should be assigned to the user; and 5 of the forms did not indicate the level of access to be granted to the user (i.e., Inquiry or Update).

Security Best Practices recommend that all user access to a Production system be properly approved by a fully completed user authorization form.

Recommendation

The report recommended that DSS management require that a completed Biggs Data Center User Authorization and Non-Disclosure Agreement be obtained before it sets up an employee or contractor with access to the DCIS II System, CCMIS System and the DB2 Inquiry Region. In the case of regional offices, copies of the forms should be faxed to the DSS Department before the access is granted and these copies be kept on file.

- **Acceptable Use Policy Signed Agreements.** Of the sample of 93 users, the report noted that a signed Acceptable Use Policy Agreement form was not on file for 16 of the users.

State of Delaware procedures require that all users sign an Acceptable Use Policy Agreement thereby agreeing to abide by the established procedures for accessing any State computerized system.

Recommendation

The report recommended that, as part of the procedures for granting a user access to the DCIS II System, CCMIS System and the DB2 Inquiry Region, management should obtain a signed Acceptable Use Policy Agreement form before the employee or contractor is granted access to the systems.

- **Access to the ChangeMan System.** The report noted that the Department of Technology and Information (DTI) users have full access to the ChangeMan System, which could result in them moving a program into the Production environment. Security Best Practices for program change control recommend that updates to the Production program libraries only be done by those users specifically authorized to perform this task.

Recommendation

The report recommended that the access granted to the DTI users to the various levels within the ChangeMan System be changed to be no more than Inquiry unless the access is required to perform a specific function. At the minimum, the access for the DTI users to the Approver level should be reduced to Inquiry.

Agency Contact Name	Michael Smith/Sandy Sarjeant
Agency Contact Phone Number	255-9162/255-9774

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Corrective Action Plan

Year ended June 30, 2005

Corrective Action Plan	The Division generally agreed with the findings and recommendations presented in the report. The auditee's detailed response has been included with the findings and recommendations within the report.
Anticipated Completion Date	As per detailed response found in the above-referenced report.

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Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-01

Program: 93.917 HIV Formula Grant Program

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Matching, Level of Effort, and Earmarking (Level of Effort)

Condition

The HIV Formula Grant program has not maintained its overall level of HIV-related expenditures. For 2002 and 2003 (the two most recently completed fiscal years at the time of the application for 2005 funds), the HIV Formula Grant Program estimated that it had expended from all sources \$8,928,680 and \$8,541,300 respectively.

HIV federal formula grant funds expended were \$4,789,621 in State fiscal year 2004 and \$4,142,715 in State fiscal year 2005.

Recommendation

We recommend that the HIV Formula Grant Program, in conjunction with the Department of Health and Social Services, Division of Management Services, work with other HIV service-providing agencies throughout the State to obtain accurate expenditure information.

Agency Contact Name	Robert S. Jackson, M.D.
Agency Contact Phone Number	302-741-2921
Corrective Action Plan	The Agency agrees with the recommendation and plans to work with other HIV service agencies to obtain accurate expenditure information.
Anticipated Completion Date	July 2006

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Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-02

Program: 10.557 Supplemental Nutrition Program for Women, Infants and Children

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs (Effort Reporting)

Condition

We selected all employees paid in the paycycles ended August 7, 2004 and March 5, 2005 (most were paid in both pay periods). There were 59 employees represented for a total of \$117,134 in direct payroll costs. Total payroll costs for the year ended June 30, 2005 were \$1,431,832 in salaries and \$571,284 in related fringe benefits. Total expenditures for the program for the year ended June 30, 2005 were \$15,600,248.

We noted that 18 employees for the March 5 paycycle and 9 employees for the August 7 paycycle had appropriately completed effort reports. Salaries related to these effort reports were \$34,115. All other employees in the sample had not completed effort reports.

Recommendation

We recommend that the WIC Program ensure that the appropriate certifications are completed by all employees and retained consistent with audit-related record retention policies.

Agency Contact Name	Joanne White
Agency Contact Phone Number	739-4614
Corrective Action Plan	Training for new staff on the certification procedures will continue which will eliminate any future gaps in the process of completing these certifications. All quarterly WIC employee time certifications have included the mandatory certification statements and are being copied and forwarded to the WIC state agency. A file will be maintained for these certification statements.
Anticipated Completion Date	3/1/06

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-03

Program: 10.557 Supplemental Nutrition Program for Women, Infants and Children

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Special Tests and Provisions: Review for Questionable Food Instruments

Condition

The WIC Program has procedures in place to review all FIs for redeemed monetary amounts that exceed the maximum monetary purchase amounts and FIs transacted or redeemed after the specified time period. Additionally, the Program has procedures in place to follow up on FIs specifically flagged for further review by vendors or the bank which processes FIs. However, the WIC Program does not review all, or a representative sample of, printed food instruments to specifically address whether they have been physically altered.

Effect

The WIC Program may not detect printed food instruments that have been physically altered.

Agency Contact Name	Joanne White
Agency Contact Phone Number	739-4614
Corrective Action Plan	A monthly representative sample of printed food instruments will be reviewed by the WIC state agency staff to monitor for any physical altering of the food instruments.
Anticipated Completion Date	4/01/06

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-04

Program: 10.557 Supplemental Nutrition Program for Women, Infants and Children

Type of Finding: Reportable Condition

Compliance Requirement: Eligibility

Condition

The WIC system assists with eligibility determination for the WIC Program.

An agreed-upon procedures engagement was conducted for the Auditor of Accounts office disclosed the following findings and recommendations related to the WIC system:

- **User Access.** The report noted that user ID, HPHIRMO, is defined with update access to the Production WIC System, but it is not assigned to any specific individual and instead is used by the Information Resource Management (IRM) department's programming staff that supports the WIC system. In addition, the report noted that this user ID has been granted with full "God Powers", which allows it to change specific types of system data over and above what the update access provides (e.g., change vendor information).

Recommendation

The report recommended that the HPHIRMO user ID be assigned to a specific individual in order to provide for user accountability for any access made to the WIC system. We also recommend that the Update access and full "God Powers" be removed from this user ID and replaced by Inquiry Only access so that the proper separation of duties control is maintained for data updates made to the production WIC system.

- **Terminated User Access.** The report disclosed that, of the 25 users tested, one employee who has not worked for the WIC Program in some time still has access to the production WIC system. In addition, the report indicated that of the 15 users with access to the DB2 Inquiry Region, which is needed in order to run query programs against the WIC system's database, noted one other employee defined with access that also terminated her employment with the WIC program some time ago.

Recommendation

The report recommended that the WIC Program request the IRM Department provide it with a list each month of the users defined with access to the DB2 Inquiry Region and that WIC Program management review this list to determine whether all of the users on the list still require the access. For the user access to the production WIC system, we recommend that the WIC Program promptly remove any user when he/she terminates employment with the WIC Program or no longer requires access to the production WIC system.

- **User Authorization Forms.** The report indicated that for three of the nine users defined with access to the DB2 inquiry region User Authorization Forms were not on file. Therefore, there is a possibility that these users were never authorized for access to the DB2 inquiry region.

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Corrective Action Plan

Year ended June 30, 2005

In addition, the testing of the User Authorization Forms noted that, over the years since 1992, the User Authorization Form has undergone a number of revisions and that many of the users currently defined with access to the production WIC system or the DB2 inquiry region are not explicitly authorized for the access they have as it is not noted on their User Authorization Form.

Recommendation

The report recommend that, as part of the WIC Program performing the new monthly review of the users with access to the DB2 Inquiry Region, WIC Program management determine whether a User Authorization Form is on file for all of the users

In addition, the report recommended that WIC Program management perform a review of all of the users defined with access to the production WIC system and the DB2 Inquiry Region and, where necessary, note the approved access on any of the User Authorization Forms that do not indicate the specific level of system access that a user currently has and place their initials next to the access. This will provide a clear indication that the users' access is approved.

Recommendation

We recommend that the WIC Program implement the recommendations as detailed above.

Agency Contact Name	Joanne White
Agency Contact Phone Number	739-4614
Corrective Action Plan	The agency generally concurred with findings in the above-referenced report. A corrective action plan was included in this report.
Anticipated Completion Date	As per corrective action plan included in the above-referenced report.

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-05

Program: 93.283 Centers for Disease Control and Prevention, Investigations and Technology Grants

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs (Effort Reporting)

Condition

The CDC Grant program (CFDA number 93.283) is comprised of many different grants, each of which has unique compliance requirements.

Because CDC Grant employees are generally funded 100% with Federal funds, in the prior year we recommended that the CDC Grant program begin requiring employees to certify that they worked 100% on CDC Grant program activities, at least semi-annually. Total salaries and fringe benefit costs charged to the CDC Grant program for the year ended June 30, 2005 were \$2,361,815. Total expenditures for the year ended June 30, 2005 were \$10,296,153.

We selected the following federal grants within the CDC Grant program for testwork:

- Cancer screening and prevention
- Bioterrorism
- Public health surveillance

The public health surveillance grant was not used to fund salary costs.

The Screening for Life section, which is responsible for cancer screening and prevention grants, did not implement our prior year recommendations in the current year.

The Division of Public Health Preparedness Section, which is responsible for the bioterrorism portion of the CDC Grant program, implemented a semi-annual certification process in the current year. The certification statement reads as follows:

“In accordance with the requirements described above and as set forth in OMB Circular A-87, Attachment B...I certify that during the period _____ to _____, I attest that each of the following employees that I directly supervise devoted all of their 37.5 hour work week to activities and duties directly relating to the State of Delaware’s Public Health Preparedness Program. If the employee commenced and/or ended employment during the six-month certification period, a starting and/or ending date of employment is indicated.”

However, the State of Delaware’s Public Health Preparedness Program consists of multiple federal and state funding streams which require separate cost tracking and reporting and therefore is not specific enough to meet the requirements of OMB Circular A-87, Attachment B.8.h.3.

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Corrective Action Plan

Year ended June 30, 2005

Recommendation

We recommend that the semi-annual certifications be revised to further classify employees as to single federal award or cost objective within the State of Delaware Public Health Preparedness Program.

We further recommend that, if it is determined that an employee cannot be classified within a single federal award or cost objective, that personnel activity reports be prepared consistent with OMB Circular A-87, Attachment B.8.h.4 and 8.h.5).

Agency Contact Name	Deborah Clendaniel
Agency Contact Phone Number	302-744-4706
Corrective Action Plan	<p>The Division of Public Health is continuing to study this issue. DPH has implemented a procedure for the semi-annual certification, however, the procedure is undergoing revision to address the most efficient manner to identify employee activity charged to multiple sources.</p> <p>The Division will also continue to seek clarification from the grantee regarding the sole cost objective documentation.</p>
Anticipated Completion Date	July 2006

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-06

Program: 93.283 Centers for Disease Control and Prevention, Investigations and Technology Grants

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement: Allowable Costs

Matching, Level of Effort and Earmarking

Period of Availability

Reporting

Condition

We noted that, in order to ensure provider claims are accurately paid, significant manual manipulation of the Screening for Life (SFL) database is required, including:

- Reviewing the data for duplicate claims and suppressing payment on duplicates as appropriate
- Reviewing and changing as appropriate State appropriation codes and fiscal years
- Reviewing suspended items for propriety and changing status as appropriate
- Reviewing claims denied for propriety and changing status as appropriate

We also noted that:

- There is no up-to-date system documentation including support of changes that have been made to the system since inception, which may result in difficulties in updating the SFL system for programmatic changes.
- The system is based on Access 97, which is an application that is no longer supported by Microsoft. This may result in difficulties in updating the SFL system for programmatic changes.
- Test and production databases are on the same server, which may result in data being erroneously changed.
- The system does not include all MDE's mandated by the grantor, which may result in difficulty providing adequate screening data to the grantor agency.
- Physical and logical security surrounding the SFL system contain weaknesses, such as the ability of users to potentially by-pass the data entry screens and manipulate underlying data, that may result in data being changed without the knowledge of program personnel.

Total claims paid for the year ended June 30, 2005 were \$613,894. This amount impacts other financially-related compliance requirements, including matching, maintenance of effort, period of availability, and financial reporting. Total expenditures for CFDA number 93.283 were \$10,926,153.

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Corrective Action Plan

Year ended June 30, 2005

Recommendation

We recommend that the SFL Program continue to implement its corrective action plan, which includes a proposal to enhance the Department of Health and Social Services (DHSS) Medicaid Management Information System (MMIS) to include Screening for Life cancer screening program.

Agency Contact Name	Kathleen Russell
Agency Contact Phone Number	302- 741-8600
Corrective Action Plan	<p>Current system:</p> <p>1) IT contractor is compiling critical system documentation.</p> <p>2) Mission critical sections of the SFL database are being analyzed and targeted for reprogramming through the DTI/IRM program change request (PCR) process during FY06.</p> <p>Concurrent new system development plan:</p> <p>1) DTI has approved SFL's Non-Technical Business Case Summary and Business requirements document with revisions.</p> <p>2) IRM has requested a price quote from vendor.</p> <p>3) Budget neutral proposal will be submitted for the enhancement of the Department of Health and Social Services (DHSS) Medicaid Management Information System (MMIS) to include Screening for Life (SFL) cancer screening program information.</p>
Anticipated Completion Date	Anticipated start date for new system development is July 1, 2006. Anticipated completion date for the completed system is June 30, 2007.

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Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-07

Program: 93.283 Centers for Disease Control and Prevention, Investigations and Technology Grants

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs

Condition

For the State's Screening for Life program, data items related to the monitoring of clinical outcomes are collected on paper-based screening forms before entry into the SFL computer system. Submission of such forms is required in order for a claim to be paid; however we noted in the prior year that claims were being paid without appropriate forms in some instances.

In the prior year, we also noted that the SFL program was paying a tracking fee of up to \$20 per claim even when forms were not appropriately completed by providers. We noted that the program intended to offer the tracking fee as an incentive for providers to complete screening forms, but that the tracking fee was being paid regardless of the status of the forms.

As reported in the Summary Status of Prior Year Findings, the condition noted in fiscal year 2004 continued to exist in the period under audit.

Recommendation

We recommend that the SFL Program continue to implement its corrective action plan.

Agency Contact Name	Kathleen Russell
Agency Contact Phone Number	302-741-8600
Corrective Action Plan	<p>The Screening for Life Program has developed and implemented the following policies and procedures to effectively and efficiently track data items as required by program regulations:</p> <ol style="list-style-type: none">1. Program continues to gather missing minimum data elements (MDEs) and link to previously paid claims.2. Screening form requirement instituted June 1, 2005. All primary providers must supply screening forms w/in 60 days of date of service or claim reimbursement request and tracking fee are denied payment.3. Tracking fees for providers will be removed effective May 1, 2006. All SFL providers will be notified by April 1, 2006.
Anticipated Completion Date	May 1, 2006

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Reference Number: 05-DPH-08

Program: 93.283 Centers for Disease Control and Prevention, Investigations and Technology Grants

Type of Finding: Material Noncompliance, Material Weakness

**Compliance Requirement: Procurement, Suspension and Debarment
Equipment and Real Property Management
Davis Bacon Act**

Condition

Although the contract for this project was competitively bid in accordance with State policy, the CDC Grant program executed a contract with the construction company that:

- was not in the DHSS standard format and was executed by an individual who did not have the authority to execute the contract in accordance with State and DHSS policy.
- did not include the standard suspension and debarment certification language, and did not check suspension and debarment against the federal suspension and debarment listing.

Additionally, the CDC grant program:

- did not require certified payrolls from the contractor and did not perform monitoring procedures related to the Davis-Bacon Act.
- did not record the construction in progress as an asset in accordance with the State's *Fixed Asset Manual*.

We did note, however, that:

- the contract was competitively bid in accordance with State policy
- the contractor was not suspended or debarred based on a review of the excluded parties list system
- the contractor was notified by the State of appropriate wage rates.

Recommendation

We recommend that, because of the ambiguities in Statewide policies concerning federally funded projects, the Division of Public Health work in conjunction with the Department of Health and Social Services, Division of Management Services, to develop protocols for dealing with future federally funded projects.

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Corrective Action Plan

Year ended June 30, 2005

Agency Contact Name	William Ingram, Michael Bundek and Wendy Brown
Agency Contact Phone Number	302-744-4706
Corrective Action Plan	DMS has developed and communicated procedures within the Department for the handling of federally funded construction projects. Contract language covering the requirements of the Davis-Bacon Act has also been developed and its use has been incorporated into the procedure.
Anticipated Completion Date	February 2006

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Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-09

Program: 93.283 Centers for Disease Control and Prevention, Investigations and Technology Grants

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs

Period of Availability

Condition

For three out of 30 transactions selected for testwork, we noted that there was no evidence of approval of the transaction by the buying agency (the Division of Public Health, CDC grant program). All three transactions related to a single IV for SuperCard reimbursement for numerous SuperCard transactions to the Division of Accounting in the amount of \$16,708. The total dollar value of the 30 transactions was \$427,587.

Total intergovernmental vouchers processed by the program for the year ended June 30, 2005 totaled \$599,754. Total expenditures for the program were \$10,922,203.

Recommendation

We recommend that the Division of Public Health implement policies and procedures to ensure that SuperCard reimbursement intergovernmental vouchers are appropriately approved in accordance with State and agency policy.

Agency Contact Name	Iwana Smith
Agency Contact Phone Number	302-744-4912
Corrective Action Plan	The Division of Public Health implemented an updated Supercard policy and procedure effective January 1, 2006. This addresses the use of the card and required approvals.
Anticipated Completion Date	January 2006

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-10

Program: 93.268 Immunization Grants

Type of Finding: Material Weakness, Material Noncompliance

Compliance Requirement: Allowable Costs (Effort Reporting)

Condition

We selected all employees paid in the paycycles ended August 7, 2004 and March 5, 2005 (most were paid in both pay periods). There were 19 employees represented for a total of \$39,796 in direct payroll costs. Total payroll costs for the year ended June 30, 2005 were \$521,785 in salaries and \$250,511 in related fringe benefits.

We noted that no employees for the March 5 or August 7 paycycle had appropriately completed effort reports.

Recommendation

We recommend that the Immunization Grants Program ensure that the appropriate certifications are completed by all employees and retained consistent with audit-related record retention policies.

Agency Contact Name	Robert S. Jackson, M.D.
Agency Contact Phone Number	302-741-2921
Corrective Action Plan	The Immunization program will comply with the DPH effort reporting procedures using the completed quarterly leave audits.
Anticipated Completion Date	All immunization grant employees will complete the certification beginning with the April 1 quarterly leave report.

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Public Health

Reference Number: 05-DPH-11

Program: 93.268 Immunization Grants

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Reporting

Condition

The annual FSR completed for award H23/CCH322567-02-4 for the year ending December 31, 2004, submitted August 22, 2005, included expenditures and unliquidated obligations through August 19, 2005 rather than through December 31, 2004.

Recommendation

We recommend that the program's policies and procedures be amended to ensure that cut-off for financial reporting purposes is proper.

Agency Contact Name	We recommend that the program's policies and procedures be amended to ensure that cut-off for financial reporting purposes is proper.
Agency Contact Phone Number	Robert S. Jackson, M.D.
Corrective Action Plan	302-741-2921
Anticipated Completion Date	DPH has held training and has informed responsible staff of the appropriate financial reporting procedures. Written procedures will be developed to document the proper cut-off periods for the various types of financial reports.
	April 15, 2006

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Social Services

Reference Number: 05-DSS-01

Program: 93.775, Medical Assistance Cluster

93.777,

93.778

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs (Overpayments to Providers)

Condition

We recommended in the prior year that DSS develop policies and procedures regarding the refund of provider overpayments collected via check to ensure that such amounts are appropriately refunded within 60 days of identification of the overpayment.

For 18 of the 30 Medicaid Credit Balance Reports selected, the State and its third-party claims servicer could not determine whether the overpayment was actually refunded to the Medicaid Program, although 15 out of the 18 overpayments were repaid by providers to the State via check within the 60 day timeframe. Amounts collected but not refunded for these 18 items were \$80,514, including both the State and Federal portion of the claims.

Recommendation

We continue to recommend that DSS develop policies and procedure regarding the refund of provider overpayments collected via check to ensure that such amounts are appropriately refunded within 60 days of identification of the overpayment.

Agency Contact Name	Frank Long/Jeanne Skinner.
Agency Contact Phone Number	302-255-9624
Corrective Action Plan	A change control was opened to create a new report to track weekly financial transactions by individual transaction, including overpayments collected by check, similar to the FNDR210 that sorts the transactions by category of service. The report should balance back to the FNDR220 refund column. Work on this change control will be prioritized by the State.
Anticipated Completion Date	06/30/2006

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Social Services

Reference Number: 05-DSS-02

Program: 93.767 State Children's Health Improvement Program

Type of Finding: Noncompliance

Compliance Requirement: Eligibility

Condition

We recommended in the prior year that DSS develop system edits for its eligibility determination system (DCIS II) to prevent alien eligibility errors.

Using computer-assisted audit techniques, we obtained a listing of all participants listed in DCIS II as eligible as of June 30, 2005 who were either qualified aliens who have not been in the United States at least five years or were legally residing non-qualified aliens.

We selected five of 40 potential qualified alien exceptions for further review, and noted one instance in which a case was opened in error for a child who has not been in the United States for at least five years.

Recommendation

We recommend that DSS review the remaining potential qualified alien exceptions to determine whether any claims were erroneously paid for ineligible participants, and if errors in programming logic are discovered as a result of this review to address such errors.

Agency Contact Name	Barbara Hanson
Agency Contact Phone Number	302-255-9580
Corrective Action Plan	The Division will review the remaining potential qualified alien exceptions to determine whether any claims were erroneously paid for ineligible participants, and if errors in programming logic are discovered as a result of this review to address such errors.
Anticipated Completion Date	3/31/2006

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Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Reference Number: 05-DSS-03

Program: 93.767 State Children's Health Improvement Program

Type of Finding: Noncompliance

Compliance Requirement: Eligibility

Condition

We recommended in the prior year that DSS develop DCIS II system edits to automatically terminate DHCP benefits in accordance with State policy.

Using computer-assisted audit techniques, we obtained a listing of all participants listed in the State's eligibility system (DCIS II) as eligible during the year ended June 30, 2005 whose 19th birthday had passed. We selected 5 of 101 potential exceptions for further review. We noted one of the five cases in which the participant turned 19 on 10/25/04 and remained eligible through 11/30/04. However, no claims were processed for this case during this timeframe.

Recommendation

Although the system edit was implemented in September 2005, during the year ended June 30, 2005 there was still the potential for cases not automatically terminated on the last day of the month of the participant's 19th birthday. We recommend that DSS review the remaining potential exceptions above to determine whether any claims were erroneously paid for individuals who were no longer eligible.

Agency Contact Name	Barbara Hanson
Agency Contact Phone Number	302-255-9580
Corrective Action Plan	The Division will review the remaining 96 potential exceptions above to determine whether any claims were erroneously paid for individuals who were no longer eligible.
Anticipated Completion Date	4/30/2006

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Social Services

Reference Number: 05-DSS-04

Program: 93.767 State Children's Health Improvement Program

93.775, Medical Assistance Cluster

93.777,

93.778

93.558 Temporary Assistance for Needy Families

Type of Finding: Reportable Condition

Compliance Requirement: Eligibility

Condition

In the prior year, we recommended that DSS's policies and procedures concerning the update of key dates and other fields within its eligibility determination systems be reviewed to determine whether and to what extent such updates can be automated or edit checked so that they conform to information used in case management and either maintained in the case file or documented in case remarks.

Using computer-assisted audit techniques, we selected cases for review from information in the State's eligibility system for Medicaid, TANF, and SCHIP (DCIS II) based on specific criteria (such as cases that appeared to have participants who were not Delaware residents.) Throughout our testwork, we noted instances in which key eligibility data maintained in the DCIS II system did not agree with the information that was in the participant's manual case file. In addition key dates (i.e. redetermination dates) found in "Case Remarks" screens (text fields), did not match the corresponding data screen in which these dates should be updated by the caseworker. However, in all cases, we noted that the manual case file information validated the eligibility of the program participant although this information was not reflected in DCIS II.

Specifically, we noted the following inconsistencies between DCIS II and manual records:

- Out of 30 Medicaid cases reviewed, four cases did not have a valid social security number identified in the DCIS II system although a social security number was present in the manual case records; one additional case did not have a valid social security number documented in either the DCIS II system or the paper case file, although the participant did have a valid social security number upon review.
- Out of 30 Medicaid cases reviewed, one case history had been erroneously changed to indicate an incorrect entry date for an alien.
- Out of 41 TANF cases reviewed, an individual's birthdate was erroneously entered into DCIS II.

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

- Out of 41 TANF cases reviewed, in one case DCIS II did not include appropriate indications of remediation of non-cooperation with child support enforcement for an individual who was receiving benefits.

Recommendation

We recommend that DSS determine whether it is cost beneficial to further address inconsistencies between DCIS II and supporting documentation.

Agency Contact Name	Barbara Hanson
Agency Contact Phone Number	302-255-9580
Corrective Action Plan	It has been determined that it is not prudent to spend staff time to correct small errors, omissions or inconsistencies between documentation in the case file and in the DCIS system. Staff continues to make corrections at every scheduled review and when other errors are discovered or identified. A letter will be submitted by 5/1/06 reminding staff to correct and all discrepancies timely.
Anticipated Completion Date	June 30, 2006

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Social Services

Reference Number: 05-DSS-05

**Program: 10.551, Food Stamps Cluster
10.561**

Type of Finding: Reportable Condition

Compliance Requirement: Special Tests and Provisions: Issuance Document Security

Condition

We visited three of the eight sites issuing EBT cards to review controls surrounding security over EBT cards. We noted that there were instances across all sites visited in which multiple individuals used the same user ID at the terminal used to issue EBT cards.

Recommendation

We recommend that the unique user ID that is assigned to each individual responsible for issuing EBT cards be used.

Agency Contact Name	Joan Elston
Agency Contact Phone Number	302-255-9245
Corrective Action Plan	DMS has redirected the Division of State Service Centers Regional Administrators to notify staff of the required compliance with DHSS policies. We will also monitor future activity to gauge compliance.
Anticipated Completion Date	February 2006

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Social Services

Reference Number: 05-DSS-06

Program: 10.551, Food Stamps Cluster
10.561

Type of Finding: Reportable Condition

Compliance Requirement: Eligibility

Condition

We noted in the prior year that although the State appears to meet the requirements outlined in the Criteria section above, we noted that the DCIS II system and user documentation related to the Food Stamps Cluster has not been updated for at least two thousand system changes that have been implemented since system inception. We recommended that the system and user documentation for the DCIS II system be updated to reflect current operations and be consistently updated in a timely manner for future changes.

Recommendation

We continue to recommend that the system and user documentation for the DCIS II system be updated to reflect current operations and be updated in a timely manner for future changes.

Agency Contact Name	Sandy Sarjeant
Agency Contact Phone Number	302-255-9774
Corrective Action Plan	<p>DCISII programmers continue to document changes to DCISII thru our Project Management Tracking System (PMTS) as well as with in the actual programs that are changed.</p> <p>In PMTS, we write a Problem Change Request (PCR) to describe the needed change, as well as the resolution. We also can track the progress of a change - when the request is written, when it is programmed, tested, user tested and moved to production.</p> <p>In the DCISII programs, each PCR is documented at the beginning of the program, with the PCR #, the date of the change and a brief description of the change. This allows programmers to go back to PMTS for details if necessary.</p> <p>As a part of the initial DCISII implementation, Business Logic diagrams and Database design documents were created. These were created solely to support the implementation of DCISII. We never planned to maintain these as ongoing system documents and currently do not have the staff available to do so.</p>
Anticipated Completion Date	Not Applicable

STATE OF DELAWARE

Corrective Action Plan

Year ended June 30, 2005

Department of Health and Social Services

Division of Substance Abuse and Mental Health

Reference Number: 05-SAM-01

Program: 93.959 Block Grant for the Prevention and Treatment of Substance Abuse

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement: Allowable Costs (Effort Reporting)

Condition

There are four employees who work are 100% charged to the program and complete semi-annual effort reports as required. Other employee salaries were charged to the program without required effort reporting for the first six months of fiscal 2005, and one employee salary was charged to the program without required effort reporting for the entire year.

Recommendation

The one employee whose position was not moved to State funding in January 2005 and did not complete an effort report should either be moved to State funding or complete the appropriate effort reporting.

Michael Kelleher	Michael Kelleher
302-255-9416	302-255-9416
The individual in question has been moved to State funding.	The individual in question has been moved to State funding.
Transfer to state funding was completed as of 03/06/05.	Transfer to state funding was completed as of 03/06/05.